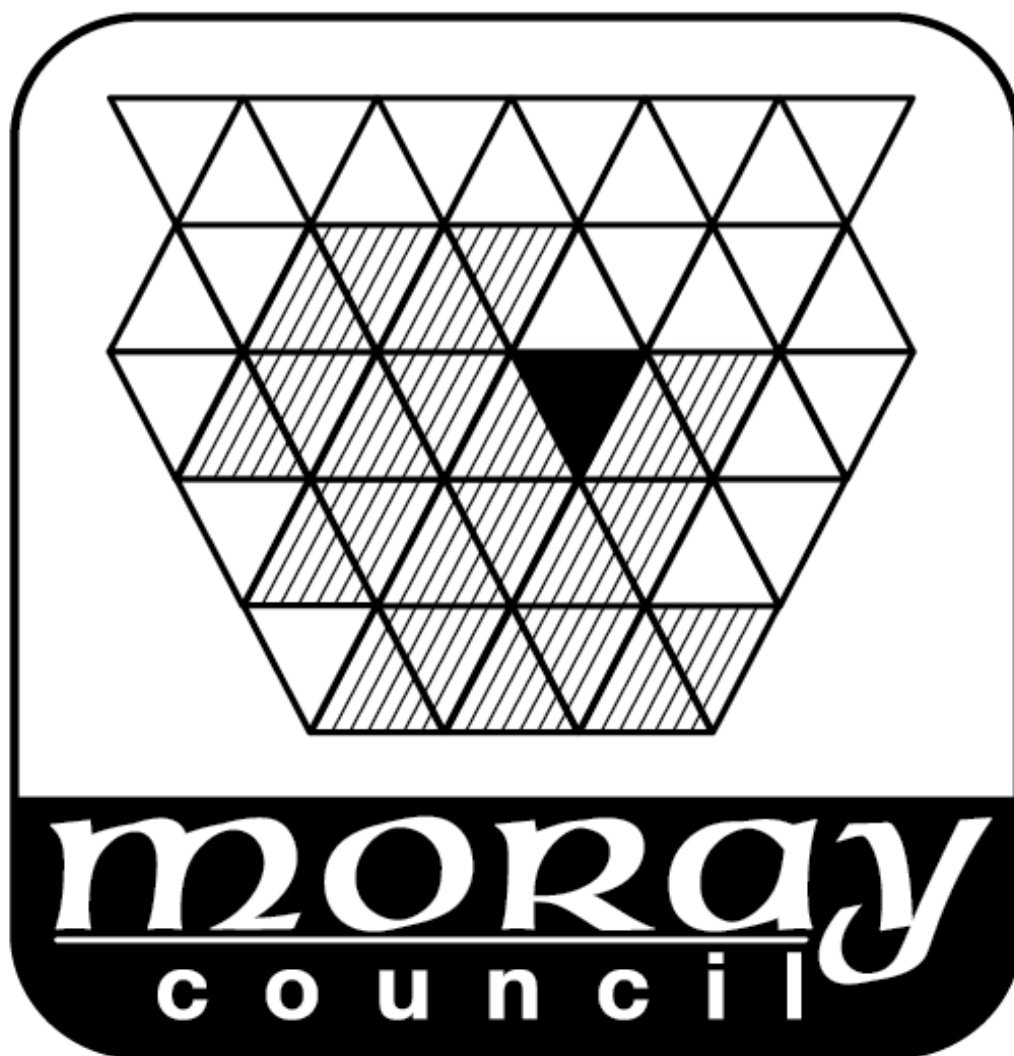


# UNAUDITED ACCOUNTS



ANNUAL ACCOUNTS FOR  
THE YEAR ENDED

31 MARCH 2019

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Head of Financial Services, High Street  
Elgin, IV30 1BX



01343 563125



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# Introduction

**Local authority accounting is extremely complex, reflecting the range of services we deliver and the regulations under which we operate. Trends in spending and income are reported regularly but our day-to-day financial position changes constantly. The annual accounts are a snapshot of our position at the end of the financial year.**

This management commentary is to help those reading the Annual Accounts understand our financial performance in 2018/19. It summarises the key facts from the accounts; illustrates our main achievements in the past year, and highlights some of the risks and challenges we face in the coming years.

The Annual Accounts are presented in four core statements:

- Comprehensive income and expenditure statement: what we spent on delivering services to the public during the year and how that expenditure was funded; any other changes in our net worth (for example as a result of revaluation of council assets).
- Movement in reserves: the balance of funding held for various purposes and how that has changed since last year.
- Balance sheet: the value of our assets and liabilities.
- Cash flow statement: the movement of cash during the year.

The annual accounts also include the accounts of the Charitable Trusts and Common Good funds administered by us.

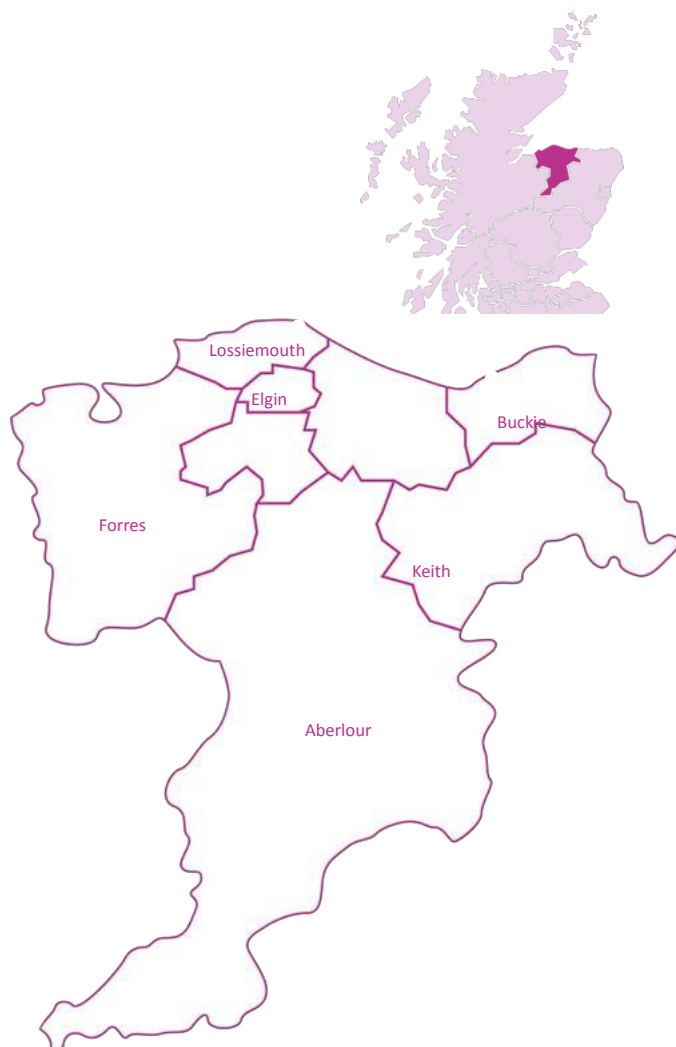
We have interests in other organisations which, under accounting regulations, have to be incorporated into the group accounts. These include the Trusts and Common Good funds, Grampian Valuation Joint Board, Moray Integration Joint Board and Moray Leisure Ltd.

How we present our Annual Accounts is governed by the Code of Practice on Local Authority Accounting in the United Kingdom.

# About us

Moray is a largely rural area covering a land mass of 2,238 sq km. It has a long coastline on the Moray

Firth with harbours, fishing villages and world-class beaches. The main centre of population is Elgin, which is home to more than one quarter of the people living here. Other towns of population between 5,000 and 10,000 are Forres, Buckie, Lossiemouth and Keith.



Moray Council was established in 1996 following Local Government Reorganisation and the demise of Grampian Regional Council.

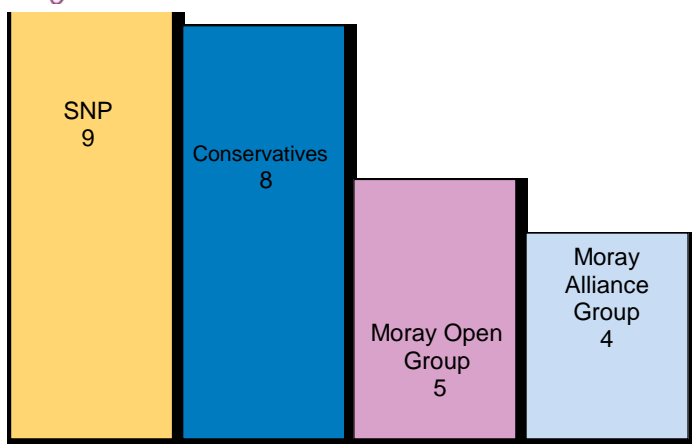
Today we are responsible for providing services to the area's population of more than 93,000. These services include education, social care, waste management, housing and maintenance of the local roads infrastructure. The split of expenditure between the different departments is shown in Note 10 to the accounts.

Elections are held every five years to appoint the 26 councillors, who form the membership of the Council. They are supported by the Chief Executive and three corporate directors to establish priorities for services and a programme of continuous improvement.

During 2018/19 the council was led firstly by an Independent/Conservative coalition, comprising eight Conservative and five Independent councillors and (from mid-June 2018) by a minority SNP administration.

There are four groups of councillors: SNP (nine councillors), Conservative (eight councillors) the Moray Open Group (five councillors) and the Moray Alliance Group (one Labour, three non-aligned Independents).

The Chief Executive and directors are supported by 10 heads of service and a workforce of around 4,700 (equivalent to around 3,500 full time staff). Delivering the wide range of services we're responsible for is assisted by a range of contracts with both the private and the third sector.



# Business strategy, financial Planning and Performance

We operate two business models: one for the General Fund and one for the Housing Revenue Account (HRA)

The HRA is self-funding, with all expenditure covered by income raised, primarily from council house rent. We have a programme of affordable house-building, supported by grant from the Scottish Government.

The General Fund is mainly funded by grants from the Scottish Government. Council Tax meets less than 20% of general revenue expenditure. Scottish Government called a halt to the Council Tax freeze in 2017/18 but capped the level of increase which councils could set.

In addition to general grant funding we get specific grant funding for certain government priorities. Increasingly, funding is linked to Scottish Government priorities such as the expansion of early learning and childcare. The effect of this is to increase the pressure on those services not identified as a priority by Scottish Government, as they have to bear the brunt of reduction in core funding. Expenditure is driven by legislative requirements, government priorities and local priorities.

We can charge for some of the services we deliver and, looking to the future, income generation is seen as an increasingly important issue to protect service delivery.

Our strategic approach to financial planning is incorporated in the Corporate Plan and we aim to achieve financial sustainability within the next few years. Funding from Scottish Government has been reduced over the past 10 years and we have made planned use of reserves to cushion the effect of cuts in services. We have agreed that our asset base needs to be reduced to ensure sustainability,

and approved a Property Asset Management Approach to review our corporate buildings.

We still need to invest in assets to carry out our day-to-day business and to meet the requirements of a growing population in Moray. The basis for investment in the council's assets is within the Capital Strategy, and the principles used to manage our day-to-day finance requirements and longer-term borrowing requirements are captured in the Treasury Management Strategy. All these documents are approved by councillors.

Public engagement is an important feature of the financial planning process and a consultation exercise in December 2017 to January 2018 helped to inform the 2018/19 budget.

Our financial planning focusses on the medium term, with projections for future years reported to council when the budget is set. Successive single-year settlements from the Scottish Government have resulted in annual budgets being approved. The budgets for 2018/19 (General Fund revenue and capital, and HRA revenue and capital) were approved by council on 14 February 2018.

# Some of our achievements

**5 April 2018** – We welcome Secretary of State for Scotland, David Mundell MP, to learn about Moray's vision for the future through our Growth Deal bid.

**11 April 2018** – Portknockie residents to benefit from £1.7m landslip repair scheme.

**15 April 2018** – Diversity in Moray gets thumbs-up from Audit Scotland.

**20 April 2018** – Business and tourism leaders in Moray back plans for Cultural Quarter – flagship project in £200m Growth Deal bid.

**4 May 2018** – Logie and Glenernie Bridge works completed ahead of schedule.

**3 June 2018** – Home-grown teachers boost Moray's schools.

**7 June 2018** – Councillors praise Buckie harbour investment plans.

**7 June 2018** – We set out our £17.5 million Early Learning and Childcare expansion plans.

**29 June 2018** – Pupils cut ribbon at Milne's Primary as £2m extension is completed.

**July 2018** – Community Asset Transfer process for seven town halls and two community centres under way and leases agreed.

**23 July 2018** – Council project which cuts £3 million in annual costs takes top spot at Paperless Awards.

**16 August 2018** – Speyside Way gets £0.8 million grant-funded, low-carbon cash boost.

**20 August 2018** – Housing Minister opens Forres affordable housing development.

**1 October 2018** – £0.67 million refurbished nursery opened by Minister under Early Learning & Childcare expansion project.





**23 October 2018** – Moray’s latest £30 million new-build High School formally opened by Deputy First Minister and Cabinet Secretary for Education and Skills, John Swinney MSP.



**5 February 2019** – £8 million investment in affordable housing in Moray announced.



**19 February 2019** – Scale of economic development investment in Moray is revealed to be worth £4.5 million.



**8 March 2019** – Contract awarded for £150 million Energy from Waste facility serving Moray, Aberdeen and Aberdeenshire councils.



**17 March 2019** – Construction of new £12.8 million Linkwood Primary gets under way.

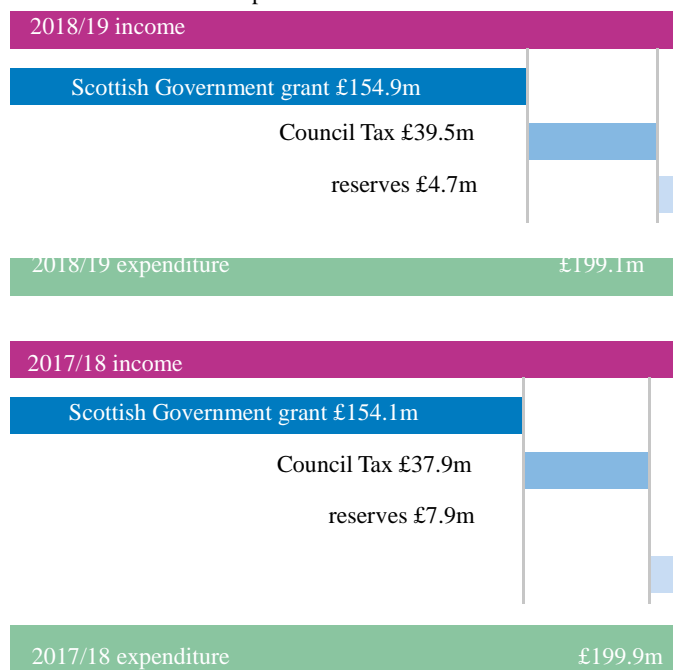


**26 March 2019** – Councillors approve building of 30 new affordable homes in Mosstodloch.



# General fund revenue expenditure

## Planned income and expenditure

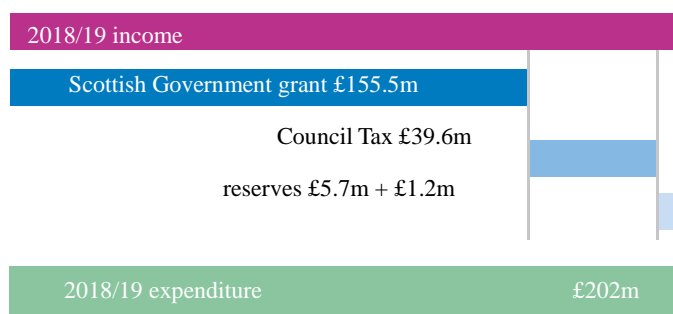


When we set the budget for 2018/19 we planned to spend £199.1 million, funded by Scottish Government grant of £154.9 million, Council Tax of £39.5 million and using £4.7 million reserves.

During the year the budget was adjusted and the final budgeted expenditure was £202 million. We actually spent £201.7 million, and received Scottish Government grant of £155.7 million and Council Tax of £40.5 million, and were able to retain £0.5m Non-Domestic Rates (NDR) under the Scottish Government's Business Rates Incentivisation Scheme.

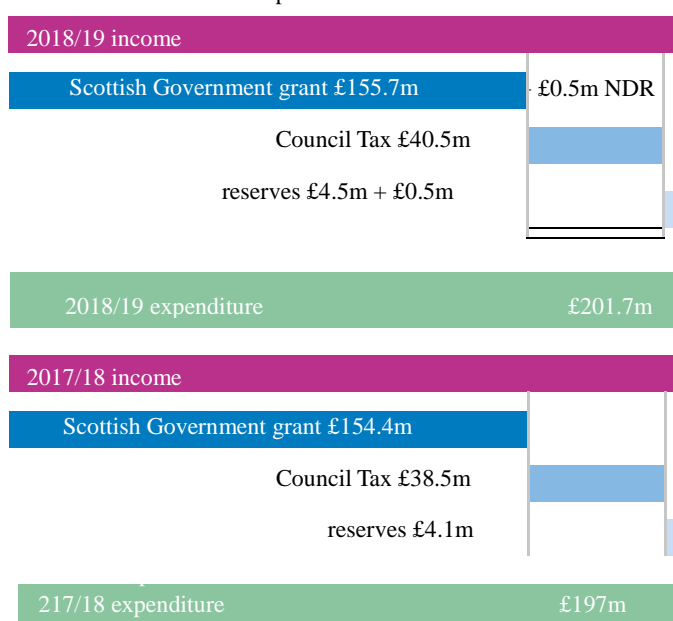
We collect NDR on behalf of Scottish Government. NDR income is pooled at a national level then redistributed to councils as part of the government's grant funding for local authorities. Moray has over 5,000 rateable properties with a combined rateable value of over £111 million.

## In 2018/19 we adjusted this to:



The increased income from Council Tax following systematic pursuit of Council Tax debt, and growth in the council's Council Tax base and NDR retention, more than covered the additional cost of the pay award agreed nationally in February 2019, which was higher than we had budgeted for. The council agreed to transfer unspent money from the Devolved School Management reserve and this reduced the deficit for the year to £4.5 million to be funded from general reserves.

## Our actual income and expenditure



## **Management Commentary (continued)**

### **Commentary on year-end position**

Councillors approved savings of £6.3 million when the budget for 2018/19 was set. Most of the savings have been achieved, although the savings from closure of town halls were partly deferred in order to support the community groups which have taken over the running on those buildings. Additional savings were identified after the budget was set, and overall the total savings made amounted to £7.2 million.

Successive rounds of budget savings increase the pressure on departments to manage within budget. The final position is set out by department in Note 10 to the accounts, showing underspends in most departments, largely due to staffing vacancies, which exceeded the allowance in the budget by £0.87 million. Expenditure on repairs and maintenance was also significantly below budget (£0.7 million). Expenditure on looked after children was £0.7 million above budget, and this continues to be an area of budget pressure. Expenditure by Moray Integration Joint Board on health and social care services exceeded the budget and our share of that overspend was £0.4 million. A number of severance packages were approved in order to make savings in 2019/20, and the cost of those packages is shown in 2018/19 as an overspend. Loans recharges and interest is £0.6 million below budget due to a policy change on assets under construction to capitalise the interest. This policy will continue to save us money in 2019/20.

# Housing

Our 6,111 dwelling houses are held on the Housing Revenue Account (HRA).

HRA budgeted to break even in 2018/19.

2018/19 income



2018/19 expenditure



2017/18 income

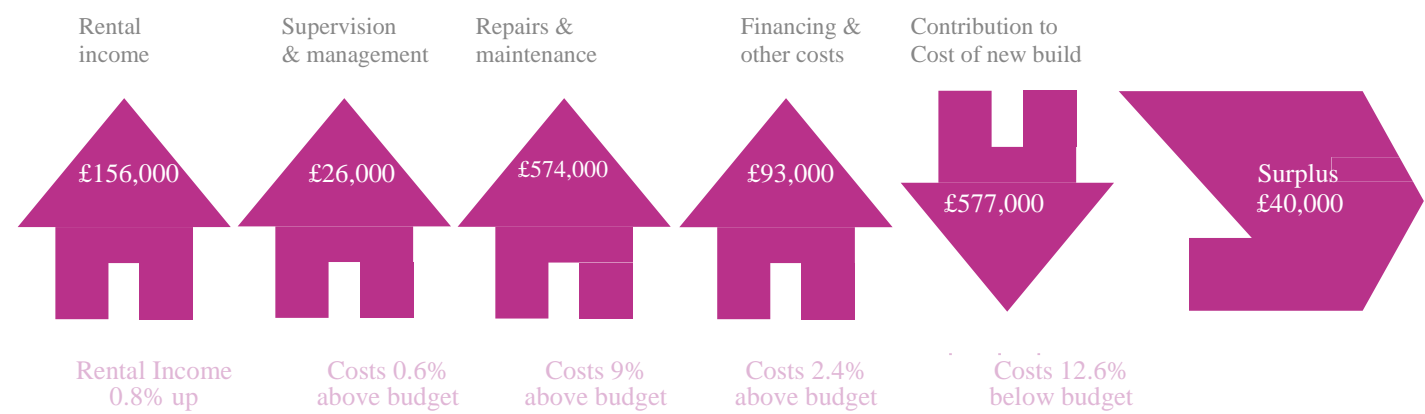


2017/18 expenditure



The actual out-turn is a surplus of £0.04 million (2017/18 deficit of £0.045 million), which is added to the brought-forward balance of £1.1 million, giving HRA reserves of £1.2 million.

The planned HRA contribution to the cost of building new houses was reduced to cover overspends elsewhere in the budget.

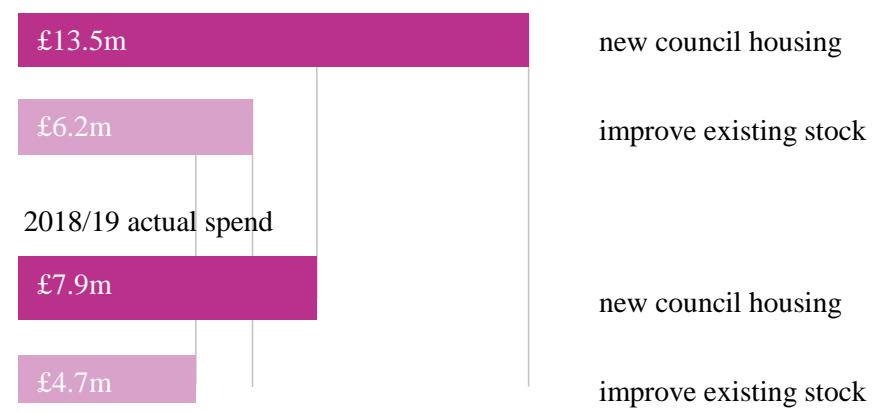


These variances in income and expenditure led to the £0.04 million surplus on the HRA.

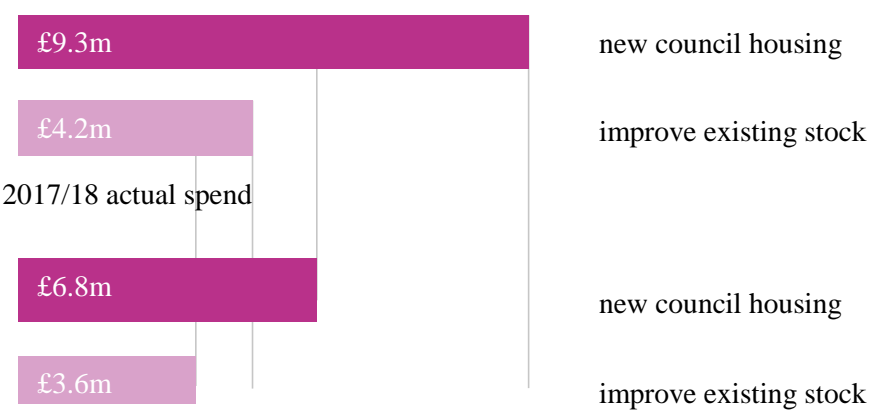
Management Commentary (continued)

We invest in building new homes and improve the existing ones, supported where possible by government grant aid.

2018/19 planned investment



2017/18 planned investment



# General services capital programme

We originally planned to spend £54.1 million on capital projects in 2018/19, scaling that back to £30.7 million as timings on major projects became clearer (2017/18 £26.8 million).

We actually spent £27.9 million (£27.3 million was funded by grants, mainly from Scottish Government) made up from:

£14.9m



schools and pre-school accommodation

£0.8m



towards the development of an integrated waste management facility and Energy from Waste plant, a joint project with Aberdeen City and Aberdeenshire councils

£1.9m



other land and buildings

£1.6m



on street lighting

£3.4m



on road improvements and road safety measures

£1.8m



on other infrastructure, such as bridges and harbours

£1.9m



on vehicles

£1.6m



on equipment

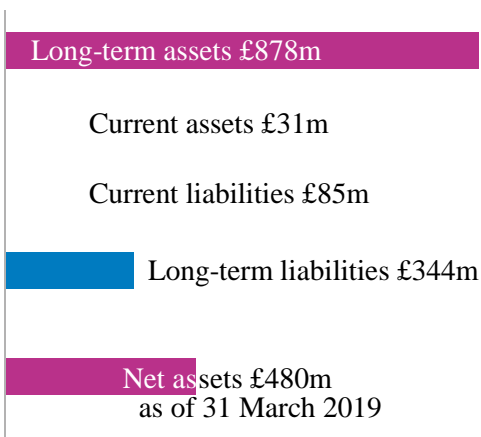
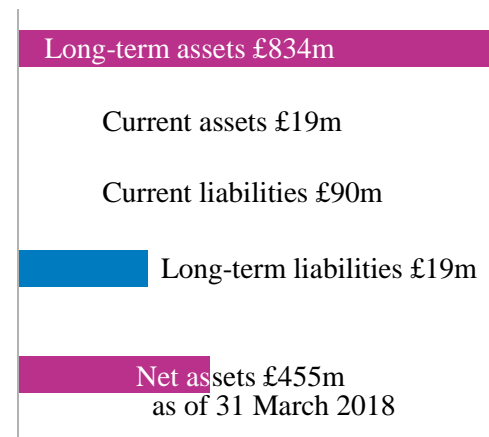
£27.9m



invested in Moray during the year

# Balance sheet

The balance sheet records our assets (such as properties, machinery and vehicles, investments and cash held) and liabilities, and is a snapshot of our financial position at 31 March 2019.



Our net worth has increased by £25 million during 2018/19.

Significant movements are:

- £12m assets under construction
- £11m increase in valuation of operational land and buildings
- £5m increase in short term investments
- £2m increase in money owed to the council in the coming year
- £3m decrease in money owed by the council to the businesses who deal with us
- £19m increase in pension scheme liabilities

# Future risks

The most significant risk arises from our financial position. There is an underlying overspend of around £5 million against an increasing demand for services, along with future funding from Scottish Government not anticipated to keep pace with inflation. Savings of £23 million are projected to be required over the next two years to balance the budget. In addition to this:

- Our school estate requires significant investment to bring facilities up to the Scottish Government's recommended 'B-B' standard.
- We are still experiencing difficulty recruiting sufficient teachers.
- Moray Integration Joint Board is over-committed against its budget and we are obliged to fund our share of any overspend.
- The impact of Brexit is unknown.
- Our reserves are forecast to drop below our recommended minimum in 2019/20, which reduces our resilience to unforeseen events.

## ... and potential opportunities

- Moray's population is increasing and projected to continue to grow above the national average rate.
- We await the result of our Growth Deal bid – if successful this will herald significant investment in Moray's economy. Councillor Graham Leadbitter
- We have started an Improvement and Modernisation programme to redesign how we deliver our services in today's world.

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**Councillor Graham Leadbitter**  
**Leader of Moray Council**

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**Roderick D Burns**  
**Chief Executive**

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**Lorraine Paisey**  
**Head of Financial Services**  
**27 June 2019**



## **Statement of Responsibilities for the Annual Accounts**

### **The Council's Responsibilities**

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Council has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Head of Financial Services.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- approve the Annual Accounts for signature.

I confirm that these Unaudited Annual Accounts were approved by the Council at its meeting on 27 June 2019.

Signed on behalf of Moray Council.

**Councillor Graham Leadbitter**  
**Leader of the Council**

**27 June 2019**

### **The Head of Financial Services' Responsibilities**

The Head of Financial Services is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Accounting Code).

In preparing the Annual Accounts, the Head of Financial Services has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with legislation.
- complied with the Local Authority Accounting Code (in so far as it is compatible with legislation).

The Head of Financial Services has also:

- kept adequate accounting records, which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Council at the reporting date and the transactions of the Council for the year ended 31 March 2019.

**Lorraine Paisey CA**  
**Head of Financial Services**

**27 June 2019**

## **Annual Governance Statement - 2018/19**

### **Scope of responsibility**

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. This includes arrangements for the management of risk.

An updated 'CIPFA/SOLACE' Framework 'Delivering Good Governance in Local Government' together with associated guidance for Scottish Local Authorities was published in 2016. The Framework's overall aim is 'to ensure that resources are directed in accordance with agreed policy and according to priorities; that there is sound and inclusive decision making; and that there is clear accountability for the use of these resources in order to achieve the desired outcomes for service users and communities'. An update to the local code for the council based on the latest CIPFA/SOLACE guidance remains under consideration.

This annual governance statement explains how the Council has used the 2016 Code as a basis for considering the effectiveness of its own governance arrangements.

### **The governance framework**

The key elements of the Council's governance arrangements are described in terms of the seven principles of good governance defined in the Framework, summarised as follows:

#### **Governance Principle 1 – behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.**

The roles and responsibilities of elected members and officers and the processes to govern the conduct of the council's business are defined in constitutional documents. These comprise standing orders, a scheme of administration, scheme of delegation and financial regulations which are reviewed and updated annually.

Codes of Conduct are in place for elected members and senior officers, which require them to exercise leadership through exemplary standards of behaviour and ensure established values are replicated effectively throughout the organisation. Registers of Interests for elected members are prepared under statutory provision to disclose any potential areas where conflicts of interest might arise and there is a similar council register for disclosures by senior managers.

The council's Monitoring Officer has a statutory responsibility to ensure established procedures are followed and that all legislative and other regulatory processes are complied with.

Workforce Culture continues to be a focus as a means of strengthening staff governance, supporting staff morale and taking forward issues including promoting positive behaviour in the workplace and ensuring employees are recognised and valued. A workforce culture toolkit has been developed for use by managers, which provides tools to develop a strategy on how to tackle and improve the culture in the workplace, including a methodology for workload management and ongoing delivery of staff engagement activities designed to promote positive working relationships.

#### **Governance Principle 2 – ensuring openness and comprehensive stakeholder engagement.**

The council's decision-making processes are well established with major decisions being taken by council or one of a number of service committees. The presumption is for openness or where this is not the case, a justification of the reasoning for keeping a decision confidential is provided.

Community consultation on a range of issues was carried out with citizens, service users and staff, covering topics in Housing, Planning and Social Care and work was progressed on community engagement through locality planning and participatory budgeting. Community Asset Transfers, enabling council facilities to be managed by community groups, have also been taken forward.

This period also saw increased use of the Moray Connected project, which is focused on the development of digital services and improving customer accessibility to an increasingly wide range of council services.

Protocols are in place to meet requests made under the Freedom of Information Act and to publicise the nature of those requests on the council website.

## **Annual Governance Statement (continued)**

### **Governance Principle 3 – defining outcomes in terms of sustainable economic, social and environmental benefits.**

The creation and implementation of a vision for the local area, including expected outcomes for the community, is encompassed in the Local Outcomes Improvement Plan. The overarching aim and purpose of this 10 year plan is 'to raise aspirations by creating an enabling environment where our residents can achieve expanded choices, improved livelihoods and wellbeing'.

This plan, developed in conjunction with Community Planning partners, identifies a number of key priorities covering the need for a growing diverse and sustainable economy, building a better future for our children and young people in Moray, empowering and connecting communities, and changing our relationship with alcohol. Each priority has been developed based on experiences and evidence drawn from the partner agencies.

The council's own corporate planning priorities, having been agreed for the period 2018-2023, identify service developments in Education, Health and Social Care and for the economy to be taken forward, recognising the need to ensure that services are sustainable and targeted to areas where they will have greatest impact. The plan recognises that transformation of services will be essential given the council's financial position and this manifests itself in an improvement and modernisation programme now underway.

### **Governance Principle 4 – determining the interventions necessary to optimise the achievement of intended outcomes.**

The council recognises the financial challenges it faces and through its established committee structures and other briefings from CMT/SMT has furnished elected members with an extensive volume of information on both the availability of resources and options for future service delivery. The council successfully delivered a balanced budget for 2019/20 year albeit involving the use of further reserves which are now approaching the 'safe' minimum reserves limit as outlined in an updated reserves policy.

Clear information has been made available to the council around financial planning including asset management and for each priority identified in the Corporate Plan there are clear statements of intent in terms of how services need to evolve and a summary of outcomes the council wishes to secure. All reports placed before council committees contain a summary of implications section to link individual proposals to overarching strategic plans and ensures matters relative to good governance including risks, legality and equalities are given due consideration as part of decision making processes.

A consistent theme around proposals for policy development is the recognition that the council and its partners will continue to promote preventative policies, leading to reduced interventions by partners and enhanced community engagement and involvement.

### **Governance Principle 5 - developing the entity's capacity, including the capability of its leadership and the individuals within it.**

This element of governance is designed to ensure that both elected members and officers have the knowledge, skills and capacity to enable them to fulfil their respective roles effectively. This has particular significance given the combination of a minority council administration and dynamic national and international political issues. These together, create an increased political tension which councillors and officers have to work hard to navigate.

An extensive programme of induction was provided to new and returning councillors to help them settle into the role and get a fuller understanding of the challenges facing the council. This was supplemented by specific training on various elements of council business, targeted briefing sessions on specific topics and development sessions with the corporate management team designed to help elected members develop and refine their judgement, prioritisation and decision making skills. Further training opportunities are being considered to support elected member development.

For employees, access to training is available in various forms, through professional bodies to which employees belong and through specialist training teams located within services. Whilst budgetary constraints continue to limit external training opportunities, the Corporate Services Organisational Development Team provides a programme of training including online modular training which staff can access. The council also promotes an 'Employee Review and Development' process to ensure as far as practicable that development and support needs of individual staff members can be addressed.

Leadership capacity of senior officers is supported through promotion of a Leadership Forum which brings together senior managers from all council services to bring a wider perspective to the consideration of issues facing the council. Corporate Directors also undertake learning visits and hold listening meetings to maintain a perspective on developments within services.

## **Annual Governance Statement (continued)**

### **Governance Principle 6 – managing risks and performance through robust internal control and strong public financial management.**

The Council has arrangements in place covering risk, performance management, internal control and financial management. Aside from issues not delegated by the Council, including annual budget setting and consideration of the annual accounts, the oversight of risk and financial monitoring is primarily with Policy and Resources Committee and performance management is scrutinised by service committees.

The council has a risk management policy and strategy designed to support the identification, evaluation and mitigation of risks which may impact on its ability to meet its objectives. A Corporate Risk Register provides summary information on what the Corporate Management Team and Senior Management Team considers are the principal risks facing the Council and how these are managed and controlled. Risk implications also feature in committee reports to inform decision making where required.

The council system of internal control is based on a framework of financial regulations, regular management information, administrative procedures, management supervision and a scheme of delegation that defines accountabilities of senior officers. Establishing and maintaining an effective system of internal control is a management function. An Audit and Scrutiny Committee, through its consideration of reports by internal and external auditors, monitors the effectiveness of internal control procedures.

The council participates in the National Fraud Initiative, a data matching programme involving other public bodies, to provide assurances on the robustness of information held by the council as well as highlighting data anomalies that require to be addressed. The security of personal data held for this and other purposes is recognised as being of key importance and an Information Assurance Group has been established to promote best practice in this area. A policy to combat fraud, theft, bribery and corruption sets out the council's zero tolerance to such behaviours.

Strong financial management procedures are secured through the work of the Chief Financial Officer appointed in terms of s. 95 of the Local Government (Scotland) Act 1973. This officer provides advice to the council on all financial matters and ensures the timely production and reporting of budget estimates, budget monitoring reports and annual accounts.

### **Governance Principle 7 – implementing good practices in transparency, reporting and audit to deliver effective accountability.**

Council business is conducted through an established cycle of committee meetings held in public (unless exempt under statutory provision) and available on the internet by webcast. Meeting dates are published in advance and agenda papers are made available at least one week prior to meetings being held. Committee reports follow a corporate style and include: the purpose of the report, information relevant to the matter under consideration, a conclusion and recommendations proposed. Minutes of meetings are prepared and important decisions are publicised on the council website and through social media.

Information is disseminated in many forms targeted at different audiences for different purposes, ranging from statutory returns that follow prescribed layouts, through newsletters which target specific groups of service users, to consultation documents which contain basic information designed to elicit initial interest in particular services. A style guide is used to provide consistency in the production of written materials. Guidance on customer focus sets standards to be followed when engaging with citizens.

Assurance and accountability oversight is a key role for the Audit and Scrutiny Committee which is chaired by a member of the political opposition. The committee receives reports on the work of the internal auditor and the external auditor, placing particular focus on recommendations arising from audit work and on the corrective actions proposed by service management. The committee also has a scrutiny role, currently under review, and holds services to account for the topics selected for consideration.

### **Effectiveness of governance arrangements**

In order to assess the effectiveness of the governance framework, including the system of internal control, it is necessary to consider the role of the functions and individuals who contribute to it as follows:

- **Elected Members**

Governance arrangements at a political level emanate from the council, its service committees, the Audit and Scrutiny Committee and other activities that elected members participate in. These include the Community Planning Board and associated groups for multi-agency issues. Councillors also have substantive roles on Moray Integration Joint Board for Health and Social Care, on the Grampian Valuation Joint Board and on the Moray Leisure Arm's Length External Organisation (ALEO), each of which has its own governance arrangements.

## Annual Governance Statement (continued)

- **The Corporate Management Team**

The Corporate Management Team (CMT), which has operational responsibility for good governance arrangements, comprises the Chief Executive and three Corporate Directors with portfolio responsibilities for Corporate Services, Economic Development Planning and Infrastructure, and Education and Social Care. The Chief Officer (Health and Social Care Integration) is also a member of the CMT. An external review of council management structures is being progressed at the time of drafting this statement.

- **The Corporate Management Team / Senior Management Team**

This is an extended management team comprising the CMT and Heads of Service. The role and remit of this group is to support the formulation and implementation of policies, strategies and plans to achieve local and national outcomes, share and promote good practice from an inter-service perspective, to act with the wider objectives of the council in mind to ensure the resources are effectively deployed and assist CMT in keeping the governance of the Council and its services under review.

For the first time, for the 2018/19 year, individual senior managers within CMT/SMT have considered the effectiveness of governance arrangements within their respective services by reference to the principal risks identified in the council's corporate risk register and have provided assurance statements for use in the preparation of this corporate statement. This affirms the broad ownership of strategic governance issues across the CMT/SMT.

Governance issues highlighted within the assurance statements are for the most part replicated in this summary statement. Service specific issues disclosed relate to the need for improved compliance with the definitions of waste categories sent for landfill to minimise landfill tax payments, elevated risks for Children's Services consequential to vacancies in key roles (including that of chair of the Child Protection Committee) and increasing complaints around social work practice.

- **The Head of Legal and Democratic Services (Monitoring Officer / Head of Financial Services)**

The Head of Legal and Democratic Services and the Head of Financial Services perform their respective statutory duties as outlined elsewhere in this statement. Whilst neither officer is a formal member of CMT, both are actively involved in and are able to influence, decision making processes. In discharging the responsibilities of the role the Head of Financial Services complies with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer and the Monitoring Officer presents an annual report on his work to the Policy and Resources Committee.

- **The Chief Social Work Officer**

The Head of Service (Strategy and Commissioning) of Health and Social Care Moray was appointed to the statutory role of Chief Social Work Officer (CSWO). The role was previously fulfilled by the Head of Integrated Children's Services who left the council's employment in August 2018.

The latest available CSWO annual report for the 2017/18 year describes the social services delivery landscape, financial challenges consequential to changing demographics, service quality and performance and workforce development issues. It has been recognised that the role of the Chief Social Worker may become more difficult to fulfil within integrated partnership arrangements and there are plans to review governance arrangements relative to the statutory duty to ensure these are clear and fully understood.

- **Internal Audit**

Internal Auditing is defined in the Public Sector Internal Audit Standards (PSIAS) as an independent, objective, assurance and consultancy activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Internal Audit Manager is accountable on a day-to-day basis to the Corporate Director (Corporate Services) and to the Audit and Scrutiny Committee. The internal audit plan for the year included a range of audit projects covering main financial systems, other systems operating within services and a number of ad-hoc/unplanned projects. The outcomes from these projects together with any recommendations to enhance the control arrangements in place are reported to an Audit and Scrutiny Committee. This Committee is chaired by an opposition councillor.

During the year Internal Audit was subject to an external peer review process in compliance with the PSIAS. The results of the review were reported to the Audit and Scrutiny Committee at its meeting in April 2019. A number of areas of good practice were identified and the report concluded that the service generally conforms to the PSIAS. The review identified a number of areas for improvement and an action plan has been developed to be taken forward for implementation during 2019/20.

## **Annual Governance Statement (continued)**

The PSIAS requires an Internal Audit opinion to be provided annually and based on his knowledge of the organisation and on audit work completed, it is the opinion of the Internal Audit Manager that reasonable assurance can be placed on the Council's on the council's framework of governance, risk management and internal control for the year ended 31 March 2019.

### **• External Agencies**

In addition to the various internal review processes and the financial audit referred to above, aspects of the Council's governance arrangements are considered in various inspection reports produced by the external auditor and by service inspectorates.

The main local government audit and inspection agencies also come together as a Local Area Network and their consideration of governance practices as a contribution to securing best value informs an Assurance and Improvement Planning process. The Council responds positively to the recommendations arising from the inspection reports where these provide opportunities to strengthen governance arrangements.

### **Review of effectiveness of governance arrangements**

Having regard to the information provided in the preceding paragraphs it is considered that established systems and processes are effective and enable the council to meet the seven principles identified in the 'CIPFA/SOLACE' Framework 'Delivering Good Governance in Local Government'

### **Prior year governance issues**

Governance issues highlighted in the annual governance statement for 2017/18 have been progressed as follows:

- There has been some progress towards delivery of the objectives of the Local Outcome Improvement plan including creation of the Moray Economic Strategy 2019-2029, and work on developing Locality Plans for New Elgin and Buckie. Overall progress has been slower than anticipated for various reasons, including a lack of capacity to progress the work and commitment to partnership working being subordinate to individual organisational priorities. A report to the Community Planning Board noted that 'to deliver a change in the outcomes from community planning partnership work will require a change in approach and this will need commitment from partners at a time when there are considerable pressures on individual organisations which restrict the ability to develop new ways of working for community planning'. Governance challenges remain going forward.
- Delivery of the Corporate Plan depends substantially on the Council's ability to fund the proposals and having developed the plan there was the priority within it of delivering financial sustainability and related to that the challenge of securing a balanced budget for 2019/20. To ensure plans and financial resources remain aligned going forward, priorities in the corporate plan will be reviewed to ensure they continue to reflect priorities and policy direction and that these are linked to the level of resources available to the Council. Work on this is already under consideration ahead of next year's budget setting process.
- Community engagement is extensive and takes many forms, through digital and social media to public events and press releases. Such engagement must be relevant and meaningful and so was limited towards the latter stages of budget setting given that service reductions were unavoidable. A proportionate approach to consultation was envisaged and delivered, recognising there is a need for the council to remain vigilant to ensure this important issue is not unduly diminished.
- A commitment to progress the implementation of actions identified in an improvement plan prepared following the joint inspection of children's services in Moray was delivered. This was evidenced through follow up inspections which demonstrated that good progress had been made. Maintaining the improvements in service provision is imperative.
- A commitment to work closely with the Moray Integration Joint Board was taken forward; this is an evolving multi-year project which will continue as the move to securing more closely integrated health and social care services is progressed. Governance challenges will remain in terms of service affordability.

### **Looking forward - significant governance issues**

Securing good governance has been and remains of prime importance to elected members and senior officers of the Council; a considerable task at a time when budgets are reducing, services are being redesigned, management structures are changing and a range of national and local priorities require to be addressed. These challenges remain.

## Annual Governance Statement (continued)

Key governance challenges going forward will involve:

- Providing capacity to meet statutory obligations and community expectations against a background of continuing funding reductions and rising demand for services. An Improvement and Modernisation Programme has been established to support this process.
- Making difficult choices across the political spectrum as to the use of resources in ways that deliver the best possible outcomes for the citizens of Moray.
- Continuing to address key challenges in education around improving attainment, staff recruitment and retention and developing a school estate that is fit for purpose.
- Ensuring community and corporate plans remain relevant, achievable and sustainable relative to constraints affecting all public sector organisations.
- Continuing to pursue external funding opportunities including the Moray Growth deal where these have the potential to support opportunity and development in the local area.
- Working closely with the Moray Integration Joint Board to support integration of Health and Social Care, particularly in respect of financial planning arrangements and management of the associated risks.
- Monitoring 'Brexit' negotiations and the potential impacts on people, financial resources and regulations; acknowledging the considerable uncertainty that remains at the time of drafting this statement.

### Concluding Remarks

In our respective roles as Leader of the Council and Chief Executive, we are committed to good governance and recognise the contribution it makes to securing delivery of service outcomes in an effective and efficient manner. This annual governance statement summarises the Council's current governance arrangements and affirms our commitment to ensuring they are regularly reviewed and remain fit for purpose.

While the financial sustainability of the Council going forward remains our over-arching concern, we will continue to engage with all councillors, managers and staff, partners and the wider community as appropriate to agree plans and outcome targets that are both sustainable and achievable. Taking those forward will be challenging as we look to reconfigure services to optimal effect. Good governance will remain essential in delivering services in a way that both meets the needs of communities and discharges statutory best value responsibilities.

.....  
**Councillor Graham Leadbitter**  
Leader of the Council

.....  
**Roderick D Burns**  
Chief Executive

**27 June 2019**

## Remuneration Report

### Introduction

The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No. 2011/64) amend the Local Authority Accounts (Scotland) Regulations 1985 (SI No. 1985/267) and require Local Authorities in Scotland to prepare a Remuneration Report as part of the statutory Annual Accounts.

All information disclosed in the tables in this Remuneration Report, with the exception of the Tiered Contribution Pay Rates table on page 24, will be audited by the appointed auditors, Audit Scotland, and the information reviewed by them to ensure it is consistent with other sections of the Annual Accounts.

### Remuneration Policy for the Leader of the Council, the Convener and Senior Councillors

The annual salary of the Leader of the Council and the upper limit for the annual salary of the Convener are set out by the Scottish Government in terms of the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007, as amended by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2017. The salary for the Leader of the Council is £28,326 per annum (2017/18 £28,213) and for the Convener is £21,245 per annum (2017/18 £21,160).

In terms of the same Regulations, the Scottish Government permits Moray Council to nominate up to nine Senior Councillors (in addition to the Leader of the Council and the Convener) whose salaries in aggregate must not exceed a specified amount, currently £172,076 (2017/18 £171,392) and whose salaries individually must be on a specified scale, currently £16,994 to £21,245 (2017/18 £16,927 to £21,160).

In addition to the Senior Councillors of the Council, the Regulations also set out the remuneration payable to Councillors with the responsibility of a Convener or a Vice-Convener of a Joint Board such as a Valuation Joint Board. The Regulations require the remuneration to be paid by the Council of which the Convener or Vice-Convener (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the Convener or Vice-Convener being a member of the Local Government Pension Scheme.

The Convener of the Grampian Valuation Joint Board is a Moray Council Councillor. The Council is reimbursed by the Grampian Valuation Joint Board for any additional remuneration paid to the member from being the Convener of that Board. He has received an allowance for this responsibility which has been reimbursed by the Board. The Vice Chair of the Moray Integration Joint Board is also a Moray Council Councillor in accordance with the arrangements agreed by the Board in March 2015. He has received an allowance for this additional responsibility and this has been funded in full by the Moray Council.

Under the Regulations, remuneration disclosures are to be made for the Leader of the Council, the Convener and any Councillor designated a Senior Councillor. In 2018/19, Moray had eight Senior Councillors, (seven committee chairs and the Leader of the largest opposition group), each paid a salary of £21,245 per annum (2017/18 £21,160). The Convener of the Grampian Valuation Joint Board was a Moray Council Councillor in 2018/19 and received an allowance for this additional responsibility which was fully reimbursed to the authority. The Vice Chair of the Moray Integration Joint Board was also a Moray Council Councillor in 2017/18 and was entitled to receive a salary of £20,103 per annum which was fully funded by the Moray Council.

Table 1 shows the relevant amounts, before tax and other deductions, for each of the persons named for the year 31 March 2019. The Council's Administration group changed on 13 June 2018 and the table reflects the changes made to Senior Councillors' roles from this date. All salaries are paid monthly.



## Remuneration Report (continued)

**TABLE 1: Remuneration of Senior Councillors and Conveners and Vice-Conveners/Chairs of Joint Boards**

Councillor Name	Responsibility	Total Remuneration 2017/18	Salary, fees and allowances	Total Remuneration 2018/19
		£	£	£
<b>Senior Councillors</b>				
Graham Leadbitter – Note 1	Shared Opposition Group Leader until 12 June 2018. Leader of the Council and Chair, Economic Development and Infrastructure Committee from 13 June 2018. Convener of Grampian Valuation Joint Board.	17,872	26,910	26,910
Shona Morrison – Note 1	Shared Opposition Group Leader until 12 June 2018 and Convener of the Council from 13 June 2018. Chair, Moray Integration Joint Board from 13 June 18	16,279	20,820	20,820
George Alexander	Leader of the Council and Chair, Policy and Resources Committee until 12 June 2018	26,104	5,665	5,665
James Allan	Convener of the Council and Chair, Police, Fire and Rescue Services until 12 June 2018	18,088	4,249	4,249
David Bremner	Chair, Planning and Regulatory Services Committee from 13 June 2018	-	16,996	16,996
Frank Brown	Chair, Moray Integration Joint Board until 12 June 2018	17,185	4,249	4,249
John Cowe	Chair, Economic Development and Infrastructure Services Committee until 12 June 2018	20,075	4,249	4,249
Gordon Cowie	Chair, Licensing Committee until 12 June 2018	20,075	4,249	4,249
Lorna Creswell	Chair, Communities Committee until 12 June 2018	20,075	4,249	4,249
Paula Coy	Convener, Police, Fire and Rescue Services from 13 June 2018	-	16,996	16,996
Timothy Eagle	Chair, Children and Young People's Services Committee until 12 June 2018. Leader of the largest Opposition Group from 13 June 2018	18,088	21,245	21,245
Louise Laing	Chair, Communities Committee from 13 June 2018	-	16,996	16,996

## Remuneration Report (continued)

**TABLE 1: Remuneration of Senior Councillors and Conveners and Vice-Conveners/Chairs of Joint Boards**

Councillor Name	Responsibility	Total Remuneration 2017/18	Salary, fees and allowances	Total Remuneration 2018/19
		£	£	£
<b>Senior Councillors</b>				
Marc MacRae	Chair, Planning and Regulatory Services Committee until 12 June 2018. Chair, Audit and Scrutiny from 13 June 2018	5,973	21,245	21,245
Aaron McLean	Chair, Audit and Scrutiny Committee until 12 June 2018. Chair, Policy and Resources Committee from 13 June 2018	18,088	21,245	21,245
Amy Taylor	Chair, Licensing Committee from 13 June 2018	-	16,996	16,996
Sonya Warren	Chair, Children and Young People's Services Committee from 13 June 2018	-	16,996	16,996
<b>Total</b>		<b>197,902</b>	<b>223,355</b>	<b>223,355</b>

No taxable expenses were paid in 2018/19.

Note 1: The Council's administration group changed on 13<sup>th</sup> June 2018. Councillor Leadbitter was appointed Leader and Councillor Morrison was appointed Convener. Further committee changes are also shown above from this date.

**TABLE 2: Remuneration paid to Councillors**

The annual return of Councillors' salaries and expenses is available to view on the Council's website at <http://moray.gov.uk>.

The annual return of Councillors' salaries and expenses is compiled under Scottish Local Authority Remuneration Committee (SLARC) guidance for public records whereas the Remuneration Report is compiled under a Scottish Statutory Instrument (SSI).

The Council paid the following salaries, allowances and expenses to all Councillors (including the Senior Councillors above) during the year.

Type of Remuneration	2017/18	2018/19
	£	£
Salaries	481,149	491,860
Expenses	34,081	31,064
<b>TOTAL</b>	<b>515,230</b>	<b>522,924</b>

## Remuneration Report (continued)

### Remuneration Policy for Senior Officers

The salaries of Senior Officers are set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets out the salary for the Chief Executives of Scottish Local Authorities. Circular CO/150 was issued on 04 March 2019 and covers salary scales to be paid to Chief Officers for the period of 1 April 2018 to 31 March 2021. Corporate Directors receive 84% of the Chief Executive's salary. Moray Council does not pay bonuses or performance related pay.

The Regulations define a Senior Officer as an employee who meets one or more of the following criteria:

- i) A person who has responsibility for the management of the Local Authority to the extent that the person has the power to direct or control the major activities of the Authority, whether solely or collectively with other persons;
- ii) A person who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- iii) A person whose annual remuneration, including any annual remuneration from a Local Authority subsidiary body, is £150,000 or more.

The term *remuneration* means gross salary, fees and bonuses, allowances and taxable expenses, and compensation for loss of employment. Remuneration details are shown on Table 3. The table shows the relevant amounts, before tax and other deductions, for each of the persons named for the year to 31 March 2019. Salaries are paid monthly.

**TABLE 3: Remuneration of Senior Employees of the Council**

Name	Post Title	Total Remuneration 2017/18	Salary, fees and allowances	Total Remuneration 2018/19
		£	£	£
Roderick D Burns	Chief Executive	108,141	109,737	109,737
Laurence Findlay	Corporate Director (Education and Social Care) until 17 July 2018 - Note 1	90,985	27,252 (Full year equivalent £91,850)	27,252 (Full year equivalent £91,850)
Graham Jarvis	Corporate Director (Education and Social Care) from 14 May 2018 – Note 1	-	81,082 (Full year equivalent £91,850)	81,082 (Full year equivalent £91,850)
Rhona Gunn	Corporate Director (Environmental Services)	90,783	92,338	92,338
Alasdair McEachan	Head of Legal and Democratic Services (Monitoring Officer)	74,774	77,261	77,261
Lorraine Paisey	Head of Financial Services (Section 95 Officer)	55,397	77,268	77,268
Denise Whitworth	Corporate Director (Corporate Services) - Note 2	67,635	92,356	92,356
<b>TOTAL</b>		<b>487,715</b>	<b>557,294</b>	<b>557,294</b>

No taxable expenses were paid in 2018/19.

**Note 1:** Laurence Findlay was seconded to the Northern Alliance for 4 days per week before leaving the Authority on 17 July 2018. His full salary is shown above but 80% of his salary was refunded by the Alliance until this date. Graham Jarvis was appointed as Acting Director of Education and Social Care from 14 May 2018.

**Note 2:** Denise Whitworth was formally appointed as Corporate Director of Corporate Services on 2 July 2018. She had previously been acting up into this role from 3 July 2017.

## Remuneration Report (continued)

### Pension Entitlement

Pension benefits for Councillors and Local Government employees are provided through the Local Government Pension Scheme (LGPS) and for teachers and former teachers through the Scottish Public Pensions Agency. The pension is based on the person's pensionable service (how long he or she has been a member of the pension scheme) and his or her pay. For Councillors, the pension is based on "career average" - the aggregate of each year's pay (adjusted by inflation) is divided by the total number of years and part years they have been a member of the LGPS.

For officers, the pension is based on a career average from 1 April 2015. For service before this date, the annual pension is calculated by dividing their pay by 80 (60 for service after 31 March 2009) and multiplying this by their total membership. The normal retirement age (NRA) for service post 1 April 2015 is the same as for the state pension; the NRA for service pre 1 April 2015 is 65. Pensions payable are increased annually in line with changes in the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pension Act 1975. Members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004.

A LGPS member's contribution depends upon his or her full time equivalent pay. The tables of rates for 2018/19 and 2017/18 are shown below.

#### Tiered Contribution Pay Rates

Whole time pay (2017/18 in brackets)	Contribution rate 2017/18	Contribution rate 2018/19
On earnings up to and including £21,300 (£20,700)	5.50%	5.50%
On earnings above £21,300 and up to £26,100 (£20,700 - £25,300)	7.25%	7.25%
On earnings above £26,100 and up to £35,700 (£25,300 - £34,700)	8.50%	8.50%
On earnings above £35,700 and up to £47,600 (£34,700 - £46,300)	9.50%	9.50%
On earnings above £47,600 (£46,300)	12.00%	12.00%

The value of benefits in Tables 4 and 5 attached have been provided by the North East Scotland Pension Fund (NESPF) and are calculated on the basis of the age at which the person will first become entitled to a full pension on retirement without reduction on account of its payment at that date; without exercising any option to commute pension entitlement into a lump sum and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service and not just their current appointment.

## Remuneration Report (continued)

**TABLE 4: Senior Councillors**

The pension entitlements for Senior Councillors for the year to 31 March 2019 are shown in the table below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

		In-year pension contributions			Accrued pension benefits	
		For the year to 31 March 2018	For the year to 31 March 2019		As at 31 March 2019	Difference from March 2018
		£	£		£000	£000
Councillor Name	Responsibility					
Graham Leadbitter	Shared Opposition Group Leader until 12 June 2018. Leader of the Council and Chair, Economic Development and Infrastructure Committee from 13 June 2018. Convener of Grampian Valuation Joint Board.	3,449	5,194	Pension Lump Sum	4 1	1 -
Shona Morrison	Shared Opposition Group Leader until 12 June 2018 and Convener of the Council from 13 June 2018. Chair, Moray Integration Joint Board from 13 June 2018. Note 2	3,142	4,018	Pension Lump Sum	- -	- -
George Alexander	Leader of the Council and Chair, Policy and Resources Committee until 12 June 2018	5,038	1,093	Pension Lump Sum	3 -	- -
James Allan	Convener of the Council and Chair, Police, Fire and Rescue Services until 12 June 2018	3,491	820	Pension Lump Sum	2 -	- -
David Bremner	Chair of Planning and Regulatory Services Committee from 13 June 2018. Note 2	-	3,280	Pension Lump Sum	- -	- -
John Cowe	Chair, Economic Development and Infrastructure Services Committee until 12 June 2018	3,875	820	Pension Lump Sum	3 -	1 -

## Remuneration Report (continued)

**TABLE 4: Senior Councillors**

		In-year pension contributions			Accrued pension benefits	
		For the year to 31 March 2018	For the year to 31 March 2019		As at 31 March 2019	Difference from March 2018
		£	£		£000	£000
Councillor Name	Responsibility					
Gordon Cowie	Chair, Licensing Committee until 12 June 2018	3,875	820	Pension Lump Sum	3 -	1 -
Lorna Creswell	Chair, Communities Committee until 12 June 2018	3,875	820	Pension Lump Sum	3 -	- -
Paula Coy	Convener, Police, Fire and Rescue Services Committee from 13 June 2018	-	3,280	Pension Lump Sum	1 -	1 -
Timothy Eagle	Chair of Children and Young People's Services until 12 June 2018. Leader of the largest Opposition Group from 13 June 2018. Note 2	3,491	4,100	Pension Lump Sum	- -	- -
Louise Laing	Chair, Communities Committee from 13 June 2018. Note 2	-	3,280	Pension Lump Sum	- -	- -
Marc MacRae	Chair, Planning and Regulatory Services Committee until 12 June 2018. Chair, Audit and Scrutiny from 13 June 2018. Note 2	1,153	4,100	Pension Lump Sum	- -	- -
Aaron McLean	Chair, Audit and Scrutiny Committee until 12 June 2018. Chair, Policy and Resources from 13 June 2018	3,491	4,100	Pension Lump Sum	3 -	1 -
Amy Taylor	Chair, Licensing Committee from 13 June 2018. Note 2	-	3,280	Pension Lump Sum	- -	- -
Sonya Warren	Chair, Children and Young People's Services Committee from 13 June 2018	-	3,280	Pension Lump Sum	2 -	1 -
<b>Total</b>		<b>34,880</b>	<b>42,285</b>		<b>25</b>	<b>6</b>

## Remuneration Report (continued)

**Note 1:** Councillor Frank Brown is not a member of the Local Government Pension Scheme.

**Note 2:** Six Councillors have been members of the Local Government Pension Scheme for less than 2 years and are therefore not yet entitled to pension benefit from the scheme.

**TABLE 5: Senior Employees**

The pension entitlements of Senior Employees for the year to 31 March 2019 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

		In-year pension contributions			Accrued pension benefits	
		For the year to 31 March 2018	For the year to 31 March 2019		As at 31 March 2019	Difference from March 2018
		£	£		£000	£000
Name	Post Title					
Roderick D Burns	Chief Executive	20,865	21,173	Pension Lump Sum	57 109	4 1
Laurence Findlay	Corporate Director (Education and Social Care)	17,553	5,182	Pension Lump Sum	23 38	1 -
Rhona Gunn	Corporate Director (Environmental Services)	17,517	17,814	Pension Lump Sum	27 31	2 -
Graham Jarvis	Acting Corporate Director (Education and Social Care) from 14 May 2018	-	15,649	Pension Lump Sum	54 114	10 19
Alasdair McEachan	Head of Legal Services (Monitoring Officer)	14,419	14,905	Pension Lump Sum	26 36	2 1
Lorraine Paisey	Head of Financial Services (Section 95 Officer)	10,692	14,907	Pension Lump Sum	29 48	4 5
Denise Whitworth	Corporate Director (Corporate Services)	13,054	17,817	Pension Lump Sum	38 65	4 4
<b>TOTAL</b>		<b>94,100</b>	<b>107,447</b>		<b>695</b>	<b>57</b>

All senior employees shown in the tables above are members of the Local Government Pension Scheme (LGPS).

## Remuneration Report (continued)

### Remuneration of Officers receiving more than £50,000

The following table provides details of the number of people paid by the Council whose remuneration is £50,000 or more. The table includes the remuneration of the Senior Employees detailed above.

**TABLE 6: General Disclosure by Pay Band**

Remuneration Band	Number of employees	
	2017/18	2018/19
£50,000 - £54,999	57	61
£55,000 - £59,999	35	21
£60,000 - £64,999	6	18
£65,000 - £69,999	4	5
£70,000 - £74,999	8	2
£75,000 - £79,999	3	7
£85,000 - £89,999	1	-
£90,000 - £94,999	2	3
£105,000 - £109,999	1	1
<b>Total</b>	<b>117</b>	<b>118</b>

### Exit Packages of Employees

The Council has agreed a number of exit packages as detailed on Table 7. The exit packages shown are split between compulsory redundancies and other departures. The figures shown include redundancy, settlement costs for loss of employment and payments to the pension fund for early retirements agreed by Committee. The Council only agrees exit packages where they are consistent with wider workforce planning and service delivery objectives and where the savings accruing from an individual ceasing employment with the Council exceed the costs of the exit package within an acceptable period.

**TABLE 7: Exit Packages**

Banding	2017/18			2018/19		
	Compulsory Redundancies	Other Departures	Total Cost	Compulsory Redundancies	Other Departures	Total Cost
	Number of Employees	Number of Employees	£	Number of Employees	Number of Employees	£
£0 - £20,000	7	8	90,746	11	36	408,952
£20,001 - £40,000	-	3	83,060	3	9	333,323
£40,001 - £60,000	1	1	90,264	-	1	44,056
£60,001 - £80,000	-	1	63,430	-	1	76,254
£80,001 - £100,000	-	-	-	-	3	271,449
£100,001 - £150,000	-	1	113,236	-	2	234,398
£150,001 - £200,000	-	1	152,852	-	2	345,917
£200,001 - £250,000	-	-	-	-	3	608,791
<b>Total</b>	<b>8</b>	<b>15</b>	<b>593,588</b>	<b>14</b>	<b>57</b>	<b>2,323,140</b>



## Remuneration Report (continued)

### Termination Benefits

During 2018/19 the Council terminated the contracts of 71 employees. The contracts were terminated as a result of either budget savings, the redesign of Council services or Council restructuring. The cost to the Council was £0.772m comprising £0.758m of redundancy payments (2017/18 £0.251m) and £0.014m of settlement costs for loss of employment (2017/18 £0.006m).

Payments to the pension fund for early retirement are not included in the termination benefits figures above.

### Trade Union (Facility Time Publication Requirements) Regulations 2017

The following tables show the information required to be published under the Trade Union (Facility Time Publication Requirements) Regulations 2017.

**Table 8: Relevant Union Officials**

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period		Full-time equivalent employee number	
2017/18	2018/19	2017/18	2018/19
19	24	18.83	23.83

**Table 9: Percentage of Time Spent on Facility Time**

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of employees	
	2017/18	2018/19
0%	8	14
1%-50%	9	8
51%-99%	1	2
100%	1	0

**Table 10: Percentage of Pay Bill Spent on Facility Time**

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

	2017/18	2018/19
Provide the total cost of facility time	£127,946	£96,207
Provide the total pay bill	£136,000,000	£141,280,000
Provide the percentage of the total pay bill spent on facility time, calculated as:  (total cost of facility time / total pay bill) x 100	0.094%	0.068%

## Remuneration Report (continued)

**Table 11: Paid Trade Union Activities**

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

	<b>2017/18</b>	<b>2018/19</b>
Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as:  (total hours spent on trade union activities by relevant union officials during the relevant period / total paid facility time hours) x 100	9.0%	6.5%

**Councillor Graham Leadbitter**  
**Leader of the Council**

**Roderick D Burns**  
**Chief Executive**  
**27 June 2019**

## Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost for the year ended 31 March 2019 of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement and the Expenditure and Funding Analysis note 10.

### 2017/18 Restated (note 3)

Council			Group	
Expenditure	Income	Net	Net	
£000	£000	£000	£000	
115,214	(7,444)	107,770	108,314	Educational & Integrated Children's Services
12,706	(7,817)	4,889	5,152	General Services Housing & Property Service
50,527	(12,299)	38,228	36,983	Direct Services
7,038	(2,795)	4,243	4,324	Development Services
32,597	(19,266)	13,331	13,388	Corporate Services
2,813	(215)	2,598	2,605	Chief Executive
1,390	(32)	1,358	1,417	Other Services
95,824	(54,438)	41,386	42,349	Health & Social Care
21,179	(18,549)	2,630	2,630	Housing Revenue Account
339,288	(122,855)	216,433	217,162	<b>Cost Of Services</b>

8,094	8,227	Other Operating Expenditure (Note 14)	
16,476	16,742	Financing and Investment Income and Expenditure (Note 15)	
(208,015)	(207,951)	Taxation and Non-Specific Grant Income (Note 16)	
-	1,192	Associates accounted for on an equity basis	
<b>32,988</b>	<b>35,372</b>	<b>Deficit on Provision of Services</b>	

(805)	(2,371)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment (Notes 17 & 29)	
-	-	(Surplus)/Deficit on revaluation of available for sale financial assets	
(85,046)	(85,046)	Remeasurement of the net defined benefit liability (Note 29 & 43)	
-	(551)	Share of other Comprehensive (Income) and Expenditure of Associates	
<b>(85,851)</b>	<b>(87,968)</b>	<b>Other (Income)/Expenditure</b>	
<b>(52,863)</b>	<b>(52,596)</b>	<b>Total Comprehensive Net (Income)/Expenditure</b>	

### 2018/19

Council			Group	
Expenditure	Income	Net	Net	
£000	£000	£000	£000	
118,147	(9,994)	108,153	108,302	
12,943	(8,482)	4,461	4,461	
51,084	(12,589)	38,495	38,566	
5,972	(2,006)	3,966	3,966	
32,311	(19,239)	13,072	13,072	
2,450	(184)	2,266	2,266	
3,808	(150)	3,658	3,709	
97,911	(56,021)	41,890	42,477	
23,900	(19,357)	4,543	4,543	
348,526	(128,022)	220,504	221,362	

2,432	2,406	
15,689	15,179	
(227,955)	(227,955)	
-	401	
<b>10,670</b>	<b>11,393</b>	

(43,166)	(43,821)	
-	(39)	
7,722	7,722	
	(185)	
<b>(35,444)</b>	<b>(36,323)</b>	
<b>(24,774)</b>	<b>(24,930)</b>	

## Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Statement shows how the movements in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase or Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

Restated (note 3)	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Capital Fund £000	Revenue Statutory Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Subsidiaries Reserves £000	Authority's Share of Associates Reserves £000	Total Group Reserves £000
<b>Balance at 31 March 2017</b>	<b>22,783</b>	<b>1,177</b>	<b>1,613</b>	<b>69</b>	<b>617</b>	<b>4,066</b>	<b>30,325</b>	<b>371,989</b>	<b>402,314</b>	<b>28,579</b>	<b>563</b>	<b>431,456</b>
<b>Movement in Reserves 2017/18</b>												
Total Comprehensive Expenditure and Income	(31,452)	(1,536)	-	-	-	-	(32,988)	85,851	52,863	374	(641)	52,596
Adjustments between accounting basis & funding basis under regulations (Note 9)	27,922	402	(969)	-	-	-	27,355	(27,355)	-	-	-	-
<b>Net increase/(decrease) before transfers to/from earmarked and other statutory reserves</b>	<b>(3,530)</b>	<b>(1,134)</b>	<b>(969)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,633)</b>	<b>58,496</b>	<b>52,863</b>	<b>374</b>	<b>(641)</b>	<b>52,596</b>
Transfers to/from statutory reserves	(600)	1,089	5	-	(506)	12	-	-	-	-	-	-
<b>Increase/(Decrease) in 2017/18</b>	<b>(4,130)</b>	<b>(45)</b>	<b>(964)</b>	<b>0</b>	<b>(506)</b>	<b>12</b>	<b>(5,633)</b>	<b>58,496</b>	<b>52,863</b>	<b>374</b>	<b>(641)</b>	<b>52,596</b>
<b>Balance at 31 March 2018</b>	<b>18,653</b>	<b>1,132</b>	<b>649</b>	<b>69</b>	<b>111</b>	<b>4,078</b>	<b>24,692</b>	<b>430,485</b>	<b>455,177</b>	<b>28,953</b>	<b>(78)</b>	<b>484,052</b>
<b>Note</b>												
Minority Interest										645		645
<b>Total Reserves as per Balance Sheet</b>										<b>29,598</b>		<b>484,697</b>

## Movement in Reserves Statement (continued)

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Capital Fund £000	Revenue Statutory Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Subsidiaries Reserves £000	Authority's Share of Associates Reserves £000	Total Group Reserves £000
<b>Balance at 31 March 2018</b>	<b>18,653</b>	<b>1,132</b>	<b>649</b>	<b>69</b>	<b>111</b>	<b>4,078</b>	<b>24,692</b>	<b>430,485</b>	<b>455,177</b>	<b>28,953</b>	<b>(78)</b>	<b>484,052</b>
<b>Movement in Reserves 2018/19</b>												
Total Comprehensive Expenditure and Income	(6,462)	(4,208)	-	-	-	-	(10,670)	35,444	24,774	372	(401)	24,745
Adjustments between accounting basis & funding basis under regulations (Note 9)	2,567	3,585	186	443	-	-	6,781	(6,781)	-	-	185	185
<b>Net increase/(decrease) before transfers to/from earmarked and other statutory reserves</b>	<b>(3,895)</b>	<b>(623)</b>	<b>186</b>	<b>443</b>	<b>-</b>	<b>-</b>	<b>(3,889)</b>	<b>28,663</b>	<b>24,774</b>	<b>372</b>	<b>(216)</b>	<b>24,930</b>
Transfers to/from statutory reserves	(728)	663	4	147	(111)	25	-	-	-	-	-	-
<b>Increase/(Decrease) in 2018/19</b>	<b>(4,623)</b>	<b>40</b>	<b>190</b>	<b>590</b>	<b>(111)</b>	<b>25</b>	<b>(3,889)</b>	<b>28,663</b>	<b>24,774</b>	<b>372</b>	<b>(216)</b>	<b>24,930</b>
<b>Balance at 31 March 2019</b>	<b>14,030</b>	<b>1,172</b>	<b>839</b>	<b>659</b>	<b>0</b>	<b>4,103</b>	<b>20,803</b>	<b>459,148</b>	<b>479,951</b>	<b>29,325</b>	<b>(294)</b>	<b>508,982</b>

### Note

Minority Interest

**Total Reserves as per Balance Sheet**

649	649
<b>29,974</b>	<b>509,631</b>

## Balance Sheet as at 31 March 2019

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are Usable Reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services (Unusable Reserves). This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold) and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31 March 2018			Notes	31 March 2019	
Council	Group	Council		Group	
£000	£000	£000		£000	
828,648	846,074	Property, Plant & Equipment	17	875,049	892,558
1,148	1,352	Heritage Assets	18	1,148	1,352
3,097	7,088	Investment Property	19	747	4,927
328	328	Intangible Assets	20	166	166
-	2,649	Long Term Investments		-	2,660
-	455	Investments in Associates		-	128
683	683	Long Term Debtors	21	633	633
<b>833,904</b>	<b>858,629</b>	<b>Long Term Assets</b>		<b>877,743</b>	<b>902,424</b>
630	631	Inventories	22	660	661
9,848	9,855	Short Term Debtors	23	10,988	10,999
1,390	1,390	Assets held-for-sale	24	996	996
7,389	7,389	Cash and Cash Equivalents	25	18,073	18,073
<b>19,257</b>	<b>19,265</b>	<b>Current Assets</b>		<b>30,717</b>	<b>30,729</b>
(51,414)	(51,414)	Short Term Borrowing	21	(40,794)	(40,794)
(38,905)	(33,585)	Short Term Creditors	26	(44,670)	(39,261)
<b>(90,319)</b>	<b>(84,999)</b>	<b>Current Liabilities</b>		<b>(85,464)</b>	<b>(80,055)</b>
(156)	(156)	Provisions	27	(172)	(172)
(157,579)	(157,579)	Long Term Borrowing	21	(174,922)	(174,922)
(59,205)	(59,205)	Other Long Term Liabilities	21	(58,366)	(58,366)
(90,725)	(90,725)	Pensions Liability	43	(109,585)	(109,585)
-	(533)	Liabilities in Associates		-	(422)
<b>(307,665)</b>	<b>(308,198)</b>	<b>Long Term Liabilities</b>		<b>(343,045)</b>	<b>(343,467)</b>
<b>455,177</b>	<b>484,697</b>	<b>Net Assets</b>		<b>479,951</b>	<b>509,631</b>

## Balance Sheet as at 31 March 2019 (continued)

31 March 2018			Notes	31 March 2019	
Council	Group			Council	Group
£000	£000			£000	£000
18,653	28,573	General Fund Balance	28	14,030	25,602
1,132	1,132	Housing Revenue Account	28	1,172	1,172
649	649	Capital Receipts Reserve	28	839	839
69	69	Capital Grants Unapplied	28	659	659
111	111	Capital Fund	28	-	-
4,078	4,078	Revenue Statutory Funds	28	4,103	4,103
<b>24,692</b>	<b>34,612</b>	<b>Usable Reserves</b>		<b>20,803</b>	<b>32,375</b>
186,326	203,931	Revaluation Reserve	29	222,054	239,742
347,767	347,832	Capital Adjustment Account	29	359,660	359,725
(6,957)	(6,957)	Financial Instruments Adjustment Account	29	(6,643)	(6,643)
(5,926)	(5,926)	Employee Statutory Adjustment Account	29	(6,338)	(6,338)
-	1,363	Available for Sale Fin Ins Reserve		-	-
(90,725)	(90,725)	Pensions Reserve	29	(109,585)	(109,585)
<b>430,485</b>	<b>449,518</b>	<b>Unusable Reserves</b>		<b>459,148</b>	<b>476,901</b>
-	(78)	Share of Associates Reserves		-	(294)
-	645	Minority Interest		-	649
<b>455,177</b>	<b>484,697</b>	<b>Total Reserves</b>		<b>479,951</b>	<b>509,631</b>

The notes on pages 37 to 84 form part of the financial statements

Lorraine Paisey CA

Head of Financial Services

27 June 2019

The unaudited Annual Accounts were issued on 27 June 2019 by Lorraine Paisey, Head of Financial Services.

## Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Council during the financial year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on the future cash flows by providers of finance (i.e. borrowing) to the Council.

2017/18			2018/19		
Council	Group		Council	Group	
£000	£000		£000	£000	
(32,988)	(34,180)	Net deficit on the provision of services	(10,670)	(10,991)	
		Adjust net deficit on the provision of services			
61,939	63,131	for non cash movements	58,085	58,406	
(15,492)	(15,492)	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	(30,970)	(30,970)	
<b>13,459</b>	<b>13,459</b>	<b>Net cash flows from Operating Activities</b>	<b>16,445</b>	<b>16,445</b>	
(15,712)	(15,712)	Investing Activities (Note 32)	(10,450)	(10,450)	
8,998	8,998	Financing Activities (Note 33)	4,689	4,689	
<b>6,745</b>	<b>6,745</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>10,684</b>	<b>10,684</b>	
644	644	Cash and cash equivalents at the beginning of the financial year	7,389	7,389	
7,389	7,389	Cash and cash equivalents at the end of the financial year (Note 25)	18,073	18,073	
<b>6,745</b>	<b>6,745</b>		<b>10,684</b>	<b>10,684</b>	



## Notes to the Accounts

### Note 1 Accounting Policies

#### 1. General

The Local Authority Accounts (Scotland) Regulations 2014 require the Council to prepare an annual statement of accounts. Section 12 of the Local Government in Scotland Act 2003 requires such accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS). These are issued jointly by CIPFA and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a “true and fair view” of the financial performance of the Council and its Group. The Annual Accounts have been prepared on a “going concern” basis. The accounting convention adopted in the Annual Accounts is principally historic cost, modified by the revaluation of certain categories of non-current and financial assets.

#### 2. Accruals of Expenditure and Income

Income and Expenditure activities are accounted for in the year in which they take place, not simply when cash payments are made or received.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where the debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### 3. Bad and Doubtful Debts

Amounts owed to the Council are reviewed annually and provision made for possible non-collection of bad or doubtful debts. All debts greater than 12 months old are provided for in full. For debt aged between 6 months and 12 months old, other than those relating to Council Tax arrears and Non Domestic Rates collected on behalf of the Scottish Government, provision of 50% is made. No provision is made on debt less than 12 months old relating to Council Tax arrears and Non Domestic Rates collected on behalf of the Scottish Government.

#### 4. Borrowing Costs

The Council capitalises borrowing costs incurred whilst material assets are under construction. This is a change of policy in 2018/19 and is detailed in Note 2.

#### 5. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the balance sheet date and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand. These form an integral part of the Council's cash management.

#### 6. Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible non-current assets attributable to the service.

#### 7. Contingent Assets and Liabilities

A contingent asset or liability arises where an event has taken place that gives the Council a possible benefit or obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets or liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow/inflow or resources will be required or the amount of the benefit/obligation cannot be measured reliably.

Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a Note to the Accounts if they are deemed material.

#### 8. Employee Benefits Payable during Employment

Short-term employee benefits such as salaries, wages, overtime and paid annual leave for current employees are recognised as an expense in the year in which employees render service to the Council. The Council has made provision for the costs of settling claims for equal pay arising before the Council implemented its equal pay strategy. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year.

## **Note 1 Accounting Policies (continued)**

### **9. Fair Value Measurement**

The Council measures the carrying value of some of its non-financial assets, mostly surplus assets, at fair value at each reporting date. Fair value is broadly the amount for which an asset could be exchanged or a liability settled.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted in active markets) for identical assets (or liabilities) that the local authority can access at the measurement date.
- Level 2 inputs - inputs other than quoted process included within Level 1 that are observable for the asset (or liability) either directly or indirectly.
- Level 3 inputs - unobservable inputs for the asset (or liability).

### **10. Government Grants and Contributions**

Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments and
- The grants or contributions will be received.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. Where conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants) or Taxation and Non-Specific Grant Income (for capital grants). Where capital grants are credited to the CIES, they are reversed out in the General Fund balance in the Movement in Reserves Statement.

### **11. Impairment**

Assets are assessed at each year end for any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset an impairment loss is recognised.

### **12. Inventories**

Depending on the category of inventory, the values included in the Annual Accounts are either on the basis of the average price or the cost of the last item received. Work in Progress is stated at cost or value of work done. Although the Code recommends different valuation bases for these items, the effect on final valuations is immaterial.

### **13. Loans Fund**

A Loans Fund is maintained under powers contained in the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016. All loans raised by the Council are paid into the Fund and all advances to finance capital expenditure are made from the Fund except for capital projects financed directly from Revenue Accounts. The basis of recharging for loans is by half-yearly instalments on an annuity basis. Loans Fund interest and expenses have been charged to the CIES in accordance with the Code.

### **14. Prior Period Adjustments**

When items of income and expenditure are material, their nature and amount is disclosed separately either on the face of the CIES or in the notes to the Accounts, depending on how significant the items are to an understanding of the Council's financial performance. Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes are made by adjusting the opening balances and comparative amounts for the prior period.

### **15. Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

## **Note 1 Accounting Policies (continued)**

### **16. Reserves**

Reserves are created by appropriating amounts from the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service within the CIES. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

### **17. VAT**

VAT is included in the Comprehensive Income and Expenditure Statement only to the extent that it is irrecoverable. The net amount due to or from HM Revenue and Customs in respect of VAT is included as part of debtors or creditors.

## **Note 2 Changes in Accounting Policy**

Changes in Accounting Policies are only made if required by the Code, or where the change provides more reliable information about the Council's financial position. Changes should be applied retrospectively (unless stated) by adjusting the opening balance and comparative information of each affected component as if the Policy had always been in place.

For 2018/19 the Council has changed its accounting policy for borrowing costs incurred where material items of property, plant and equipment take a substantial period of time to be available for their intended operational use. Previously borrowing costs had been charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the financial year in which they were incurred. The new policy is to capitalise borrowing costs for qualifying assets.

The Council has made this change because it considers that capitalising these costs provides a better reflection of the costs of bringing property, plant and equipment providing economic benefit for more than one financial year into useable condition.

In applying the new accounting policy, the Council has identified the following projects in 2017/18 where there would be a continuing impact if borrowing costs had been capitalised:

- New Lossiemouth High School
- New Linkwood Primary School
- NESS Energy for Waste (EfW) Plant

The impact of this change is not considered to be material, however if the change had been retrospectively applied then the effects would be as follows:

- The carrying amount of the Other Land and Buildings category of Property, Plant and Equipment would increase by £0.018m (£0.019m of capitalised borrowing costs, less £0.001m depreciation). Capitalisation of the borrowing costs results in an increase in the General Fund Balance of £0.019m. The additional depreciation charge is matched by a credit to the Capital Adjustment Account.

## **Note 3 Prior Period Adjustment/Restatements**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Material errors are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

- The Code requirements for 2018/19 changed the disclosure requirements for Debtors and Creditors. Both these notes have been updated to take account of this change in requirements. This is a presentational change and there is no change to the prior year balances.
- The 2017/18 Movement in Reserves Statement has been restated to split out the adjustments made between Adjustments between Accounting Basis and Funding Basis Under Regulations and Transfers to/from Statutory Reserves. This is a presentational change and there is no change to the prior year balances.
- The Code requirements for 2018/19 now prohibit the inclusion of income and expenditure on a trading basis between segments in the Comprehensive Income and Expenditure Statement (CIES). As a consequence, internal transactions are not to be included in the CIES. The 2017/18 comparatives for Gross Income and Expenditure have been restated to take account of these requirements: Gross Expenditure was reduced by £17.628m and Gross Income reduced by the same amount. There was no impact on Net Cost of Services or on the (Surplus)/Deficit on the provision of Services.

### Note 3 Prior Period Adjustment/Restatements (continued)

The impact of the adjustments in the Comprehensive Income and Expenditure Statement are as follows:

		2017/18 Audited Accounts		Adjustment		Revised Comparatives	
	Gross Expenditure	Gross Income	Net Expenditure	Net Adjustment	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000	£000
Educational and Integrated Children's Services	115,647	(7,451)	108,196	(426)	115,214	(7,444)	107,770
General Services Housing and Property Service	18,972	(13,820)	5,152	(263)	12,706	(7,817)	4,889
Direct Services	52,001	(15,071)	36,930	1,298	50,527	(12,299)	38,228
Development Services	7,143	(2,819)	4,324	(82)	7,038	(2,795)	4,243
Corporate Services	32,654	(19,266)	13,388	(57)	32,597	(19,266)	13,331
Chief Executive	2,820	(215)	2,605	(7)	2,813	(215)	2,598
Other Services	1,390	(32)	1,358	-	1,390	(32)	1,358
Health and Social Care	96,240	(54,390)	41,850	(463)	95,824	(54,438)	41,386
Housing Revenue Account	21,179	(18,549)	2,630	-	21,179	(18,549)	2,630
<b>Cost of Services</b>	<b>348,046</b>	<b>(131,613)</b>	<b>216,433</b>	<b>-</b>	<b>339,288</b>	<b>(122,855)</b>	<b>216,433</b>

### Note 4 Nature of the Group and Group Members

The Council has an interest in a number of Subsidiary and Associate entities.

For the purposes of combination and incorporation within the Group Accounts, recognition has been made of the Council's controlling interest in seven subsidiary entities and two associate entities.

#### Subsidiaries

The Entities which have been combined as subsidiaries are:

Name of Subsidiary	Principal Place of Business	% of ownership interest held by the Group	% of ownership interest held by the non-controlling interests (NCI)
Banffshire Educational Trust	Moray	50	50
Donald Manson Edinkillie Trust Fund	Moray	67	33
Donald Manson Forres Trust Fund	Moray	67	33
Falconer museum Trust	Moray	83	17
Auchernack Trust	Moray	80	20
Other Trust Funds	Moray	100	-
Common Good Funds	Moray	100	-

The Council inherited its interests in the Trust Funds and Common Good Funds following reorganisation of local government in 1996. It is considered that the combination was on an acquisition basis. However, as no financial consideration was given for this interest, there is no goodwill involved in these instances.

The Council acts as joint trustee with other parties for five trust funds which have a combined net asset balance of £1.895m. The Council acts as sole trustees for various other trust funds which have a net asset balance of £7.359m.

## Note 4 Nature of the Group and Group Members (continued)

The Council is responsible for the administration of Common Good Funds which were bequests made to former Town Councils within the Moray area. Council Members have responsibility for decisions on the distribution of these funds. The Common Good Funds have a net asset balance of £20.720m.

The individual accounts for these entities are shown separately on pages 92 to 102 of these accounts.

### Associates

The Entities that have been combined as Associates are:

Name of Associate	Principal Place of Business	Moray Council's Share of Voting Control	Moray Council's Share of Requisition	Measurement Method
Grampian Valuation Joint Board	Moray	20%	17%	Equity
Moray Leisure Limited	Moray	43%	n/a	Equity
Moray Integration Joint Board	Moray	50%	33%	Equity

Copies of Accounts for Associates are available at the following addresses:

Name of Associate	Address where Accounts are Available
Grampian Valuation Joint Board	Council Building, High Street, Elgin IV30 1BX
Moray Leisure Limited	Borough Briggs Road, Elgin, IV30 1AP
Moray Integration Joint Board	Council Building, High Street, Elgin, IV30 1BX

The tables below provide summarised financial information for those associates that are material to the Council. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the reporting entity's share of those amounts.

### Summarised balance sheet

	Grampian Valuation Joint Board		Moray Leisure Limited		Moray Integration Joint Board	
	Restated					
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000	£000	£000
Current assets						
Cash and cash equivalents	448	613	21	45	-	-
Other current assets	66	42	76	70	847	257
<b>Total current assets</b>	<b>514</b>	<b>655</b>	<b>97</b>	<b>115</b>	<b>847</b>	<b>257</b>
Non-current assets	643	753	313	234	-	-
Current liabilities	(416)	(558)	(338)	(393)	-	-
Non-current liabilities	(3,878)	(3,219)	-	-	-	-
<b>Net assets/(liabilities)</b>	<b>(3,137)</b>	<b>(2,369)</b>	<b>72</b>	<b>(44)</b>	<b>847</b>	<b>257</b>
Reconciliation to carrying amounts:						
Opening net assets/(liabilities) 1 April	(5,799)	(3,137)	459	72	2,704	847
Surplus/ (deficit) for the period	2,662	768	(387)	(116)	(1,857)	(590)
Closing net assets/(liabilities)	(3,137)	(2,369)	72	(44)	847	257
Reporting entity's share in %	17	17	43	43	50	50
Reporting entity's share	(533)	(403)	31	(19)	423	128
<b>Carrying amount</b>	<b>(533)</b>	<b>(403)</b>	<b>31</b>	<b>(19)</b>	<b>423</b>	<b>128</b>

## Note 4 Nature of the Group and Group Members (continued)

### Summarised Statements of Comprehensive Income and Expenditure

	Grampian Valuation Joint Board		Moray Leisure Limited		Moray Integration Joint Board	
	2017/18 £000	2018/19 £000	Restated 2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Revenue	(4,455)	(4,388)	(2,141)	(2,395)	(126,819)	(130,033)
Interest income	(2)	(3)	-	-	-	-
Depreciation and amortisation	24	2	211	106	-	-
Interest expense	161	94	-	-	-	-
<b>(Surplus)/deficit for the period</b>	<b>575</b>	<b>322</b>	<b>387</b>	<b>116</b>	<b>1,857</b>	<b>590</b>
<b>Other comprehensive income and expenditure</b>	<b>(3,237)</b>	<b>(1,090)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income and expenditure</b>	<b>(2,662)</b>	<b>(768)</b>	<b>387</b>	<b>116</b>	<b>1,857</b>	<b>590</b>

Inclusion of Associate entities has decreased reserves and net assets by £0.160m due mainly to the liability of the Grampian Valuation Joint Board's Pension Scheme, which is being reduced by the reserves of Moray Integration Joint Board on Moray Leisure Ltd.

### Other Entities in which the Council has an Interest

During the year the council had an interest in Grampian Venture Capital Fund Limited and the Highlands and Islands Transport Partnership (HITRANS). These companies have been excluded from the Group Accounts on the basis that the Council has no exposure to commercial risk from the companies and the Council has not passed on control of any of its assets to the companies. The financial transactions of the companies would also have no material effect on the Council's accounts.

	Grampian Venture Capital Fund		HITRANS	
Nature	Economic development		Local Government	
Purpose	Provide equity funding for small and medium sized enterprises		To prepare transport strategies for the region	
Size	Small business		Small business	
Activities	Provider equity funding		Transport strategy preparation	
Financed	455,000 ordinary share issued		Contributions from 5 Constituent Authorities (Highland, Moray and 3 others)	
Moray Council's share of voting control	20.44%		25%	
Carrying amounts of the entities:				
	Grampian Venture Capital Fund		HITRANS	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Carrying amount of receivables	62	62	90	89
Carrying amount of liabilities	-	-	279	341
Maximum exposure to loss	62	62	279	341

## Note 5 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code requires the Council to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts. This applies to the adoption of the following new or amended standards within the 2018/19 Code:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-16 Cycle. The amendments that may apply to local authorities include:
  - IFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of the Standard
  - IFRS 28 Investments in Associates and Joint Ventures: Measuring an Associate or Joint Venture at Fair Value
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

The Code requires implementation from 1 April 2019 and there is, therefore, no impact on the 2018/19 Financial Statements.

The above amendments are not anticipated to have a material impact on the information provided in the Financial Statements.

## Note 6 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in these financial statements, the Council and its associates have had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for Local Government and Joint Boards. However, it has been determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has entered into a Public Private Partnership (PPP) for the provision of educational buildings, their maintenance and related facilities. The Council has considered the tests under IFRIC 12 and concluded this is a service concession.
- Assets held at current value are revalued on a five year rolling basis as set out in the accounting policy for Property, Plant and Equipment. The Council asserts that the carrying amount does not differ materially from that which would be determined using current value.

## Note 7 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Annual Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2019 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.796m for every year that useful lives had to be reduced.

## Note 7 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty (continued)

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £12.609m.
Arrears	At 31 March 2019, the Council had a balance of sundry debtors for £18.688m. (before provision for impairment) A review of the most significant debts, Council tax, suggested that an impairment of 100% on debts greater than 12 months old was appropriate.	A deterioration in collection rates might require an impairment of Council tax debt which is less than 12 months old. An impairment of 1% of current year debt would amount to approximately £0.015m.

## Note 8 Material Items of Income and Expenditure

Where material items of Income and Expenditure are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the Code requires that the nature and amount of these items are disclosed in a note to the accounts. During 2018/19 the following items, which all relate to capital expenditure, are regarded as material:

Nature	£000
Continuation of the Council house new build programme (including the purchase of land). Sixty eight dwellings were completed during the year. A further twenty eight dwellings were under construction at 31 March 2019.	7,912
Building of the new Lossiemouth High School has advanced during the year and is still ongoing at 31 March 2019, with completion expected in August 2020.	9,132

## Note 9 Events after the Reporting Period

The unaudited Annual Accounts were issued on 27 June 2019 by Lorraine Paisey, Head of Financial Services. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.



## Note 10 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services as reported during the year.

Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18 restated (note 3)			2018/19		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and the Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and the Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
92,829	14,941	107,770	94,409	13,744	108,153
2,974	1,915	4,889	2,559	1,902	4,461
24,208	14,020	38,228	24,446	14,049	38,495
3,641	602	4,243	3,488	478	3,966
11,041	2,290	13,331	11,141	1,931	13,072
2,291	307	2,598	2,074	192	2,266
2,303	(945)	1,358	3,512	146	3,658
39,054	2,332	41,386	40,265	1,625	41,890
(7,173)	9,803	2,630	(7,834)	12,377	4,543
171,168	45,265	216,433	174,060	46,444	220,504
(166,504)	(16,941)	(183,445)	(169,542)	(40,292)	(209,834)
<b>4,664</b>	<b>28,324</b>	<b>32,988</b>	<b>4,518</b>	<b>6,152</b>	<b>10,670</b>
(23,960)			(19,785)		
4,664			4,518		
(489)			65		
<b>(19,785)</b>			<b>(15,202)</b>		

\* A split of this balance between the General Fund and the HRA is shown on the Movement in Reserves Statement.

## Note 10 Expenditure and Funding Analysis (continued)

### Adjustments between the Funding and the Accounting Basis

2017/18 Restated (note 3)

Adjustments from General Fund to

arrive at the Comprehensive  
Income and Expenditure  
Statement amounts

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Elimination of Internal Recharges	Total Adjustments
	Note a	Note b	Note c	Note d	
	£000	£000	£000	£000	£000
Educational and Integrated Children's Services	11,915	3,161	291	(426)	14,941
General Services Housing and Property Service	1,215	959	4	(263)	1,915
Direct Services	10,559	2,109	54	1,298	14,020
Development Services	110	534	39	(81)	602
Corporate Services	1,058	1,208	81	(57)	2,290
Chief Executive	35	267	12	(7)	307
Other Services	45	(990)	-	-	(945)
Health and Social Care	547	2,204	45	(464)	2,332
Housing Revenue Account	9,506	285	12	-	9,803
<b>Net Cost of Services</b>	<b>34,990</b>	<b>9,737</b>	<b>538</b>	<b>-</b>	<b>45,265</b>
Other Income and Expenditure	(20,513)	3,884	(312)	-	(16,941)
<b>Difference between the General Fund (surplus) or deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services</b>	<b>14477</b>	<b>13621</b>	<b>226</b>	<b>-</b>	<b>28324</b>

2018/19

Adjustments from General Fund to

arrive at the Comprehensive  
Income and Expenditure  
Statement amounts

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Elimination of Internal Recharges	Total Adjustments
	Note a	Note b	Note c	Note d	
	£000	£000	£000	£000	£000
Educational and Integrated Children's Services	10,841	2,696	563	(356)	13,744
General Services Housing and Property Service	1,285	816	18	(217)	1,902
Direct Services	11,060	1,765	(27)	1,251	14,049
Development Services	117	444	(31)	(52)	478
Corporate Services	1,041	991	(57)	(44)	1,931
Chief Executive	34	190	(27)	(5)	192
Other Services	213	(65)	-	(2)	146
<b>Health and Social Care</b>	<b>349</b>	<b>1,890</b>	<b>(39)</b>	<b>(575)</b>	<b>1,625</b>
Housing Revenue Account	12,132	233	12	-	12,377
<b>Net Cost of Services</b>	<b>37,072</b>	<b>8,960</b>	<b>412</b>	<b>-</b>	<b>46,444</b>
Other Income and Expenditure	(42,156)	2,178	(314)	-	(40,292)
<b>Difference between the General Fund (surplus) or deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services</b>	<b>(5,084)</b>	<b>11,138</b>	<b>98</b>	<b>-</b>	<b>6,152</b>

## Note 10 Expenditure and Funding Analysis (continued)

### a) Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line.

Adjustments to Other Income and Expenditure reflect:

**Other Operating Expenditure** - capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets and the movement on revaluation of held for sale assets.

**Financing and Investment Income and Expenditure** - the removal of statutory charges for capital financing, i.e. loans pool principal charges are deducted from Other Income and Expenditure. These amounts are not chargeable under generally accepted accounting practice.

**Taxation and Non-Specific Grant Income** - capital grants adjustments whereby income is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### b) Net Change for the Pensions Adjustments

This column reflects the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related income and expenditure.

For **Services** this reflects the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

For **Financing and Investment Income and Expenditure** the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

### c) Other Differences

This column adjusts for differences between the amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable recognised under statute.

For **Services** this reconciles the impact of accruals for accumulating compensated absences, e.g. holiday pay as required by IAS 19 Employee Benefits, to the salaries actually payable in the financial year in accordance with statute.

For **Financing and Investment Income and Expenditure** the entry recognises adjustments to the General Fund for the timing differences for premiums and discounts.

## Note 11 Expenditure and Income Analysed by Segment and Nature

The authority's expenditure and income is analysed as follows:

### Income and Expenditure 2017/18 restated (note 3)

	Educational & Integrated Children's Services	General Services Housing & Property Services	Direct Services	Development Services	Corporate Services	Chief Executive	Other Services	Health & Social Care	Housing Revenue Account	Costs not included in a Service	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Employee expenses	74,057	9,253	20,681	4,897	11,136	2,465	390	21,076	2,682	3,884	150,521
Other service expenses	29,242	2,238	19,287	2,030	20,403	313	955	74,201	8,991	-	157,660
	11,915	1,215	10,559	111	1,058	35	45	547	9,506	136	35,127
Depreciation, amortisation and impairment											
Interest Payments	-	-	-	-	-	-	-	-	-	12,623	12,623
Loss on Disposal of Non Current Assets	-	-	-	-	-	-	-	-	-	8,094	8,094
<b>Total Expenditure</b>	<b>115,214</b>	<b>12,706</b>	<b>50,527</b>	<b>7,038</b>	<b>32,597</b>	<b>2,813</b>	<b>1,390</b>	<b>95,824</b>	<b>21,179</b>	<b>24,737</b>	<b>364,025</b>
Fees, charges & other service income	(2,695)	(7,097)	(11,883)	(2,367)	(18,813)	(173)	(32)	(54,226)	(18,549)	-	(115,835)
Interest and investment income	-	-	-	-	-	-	-	-	-	(167)	(167)
Income from council tax	-	-	-	-	-	-	-	-	-	(39,130)	(39,130)
Government grants and contributions	(4,749)	(720)	(416)	(428)	(453)	(42)	-	(212)	-	(168,885)	(175,905)
<b>Total Income</b>	<b>(7,444)</b>	<b>(7,817)</b>	<b>(12,299)</b>	<b>(2,795)</b>	<b>(19,266)</b>	<b>(215)</b>	<b>(32)</b>	<b>(54,438)</b>	<b>(18,549)</b>	<b>(208,182)</b>	<b>(331,037)</b>
<b>Net Expenditure</b>	<b>107,770</b>	<b>4,889</b>	<b>38,228</b>	<b>4,243</b>	<b>13,331</b>	<b>2,598</b>	<b>1,358</b>	<b>41,386</b>	<b>2,630</b>		
<b>(Surplus) or deficit on the provision of services</b>											<b>32,988</b>

## Note 11 Expenditure and Income Analysed by Segment and Nature (continued)

### Income and Expenditure 2018/19

	Educational & Integrated Children's Services	General Services Housing & Property Services	Direct Services	Development Services	Corporate Services	Chief Executive	Other Services	Health & Social Care	Housing Revenue Account	Costs not included in a Service	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Employee expenses	76,597	9,240	20,646	4,835	10,833	2,066	2,558	21,492	2,690	2,178	153,135
Other service expenses	30,709	2,418	19,377	1,020	20,437	350	1,037	76,070	9,078	-	160,496
Depreciation, amortisation and impairment	10,841	1,285	11,061	117	1,041	34	213	349	12,132	-	37,073
Interest Payments	-	-	-	-	-	-	-	-	-	13,810	13,810
Loss on Disposal of Non Current Assets	-	-	-	-	-	-	-	-	-	2,432	2,432
<b>Total Expenditure</b>	<b>118,147</b>	<b>12,943</b>	<b>51,084</b>	<b>5,972</b>	<b>32,311</b>	<b>2,450</b>	<b>3,808</b>	<b>97,911</b>	<b>23,900</b>	<b>18,420</b>	<b>366,946</b>
Fees, charges & other service income	(2,737)	(6,881)	(12,484)	(1,781)	(18,828)	(182)	(150)	(55,889)	(19,357)	-	(118,289)
Interest and investment income	-	-	-	-	-	-	-	-	-	(299)	(299)
Income from council tax	-	-	-	-	-	-	-	-	-	(41,076)	(41,076)
Government grants and contributions	(7,257)	(1,601)	(105)	(225)	(411)	(2)	-	(132)	-	(186,879)	(196,612)
<b>Total Income</b>	<b>(9,994)</b>	<b>(8,482)</b>	<b>(12,589)</b>	<b>(2,006)</b>	<b>(19,239)</b>	<b>(184)</b>	<b>(150)</b>	<b>(56,021)</b>	<b>(19,357)</b>	<b>(228,254)</b>	<b>(356,276)</b>
<b>Net Expenditure</b>	<b>108,153</b>	<b>4,461</b>	<b>38,495</b>	<b>3,966</b>	<b>13,072</b>	<b>2,266</b>	<b>3,658</b>	<b>41,890</b>	<b>4,543</b>		

(Surplus) or deficit on the provision of services

10,670

## Note 12 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

### 2017/18 Restated (note 3)

	Usable Reserves					
	General Fund £000	HRA £000	Revenue Statutory Funds £000	Capital Receipts Reserve £000	Capital Grants & Receipts Unapplied £000	Capital Fund £000
<b>Adjustments to the Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements						
Pensions costs (transferred from the Pensions Reserve)	13,236	385	-	-	-	-
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(221)	(91)	-	-	-	-
Holiday pay (transferred to the Employee Statutory Adjustment Account)	526	12	-	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	23,714	6,174	-	-	-	-
<b>Total Adjustment to Revenue Resources</b>	<b>37,255</b>	<b>6,480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(655)	(425)	-	1,080	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(8,554)	(853)	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(124)	(4,800)	-	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(9,333)</b>	<b>(6,078)</b>	<b>-</b>	<b>1,080</b>	<b>-</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	(2,049)	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,049)</b>	<b>-</b>	<b>-</b>
<b>Total Adjustments</b>	<b>27,922</b>	<b>402</b>	<b>-</b>	<b>(969)</b>	<b>-</b>	<b>-</b>

**Note 12 Adjustments between Accounting Basis and Funding Basis under Regulations  
(continued)**

2018/19

	Usable Reserves					
	General Fund £000	HRA £000	Revenue Statutory Funds £000	Capital Receipts Reserve £000	Capital Grants & Receipts Unapplied £000	Capital Fund £000
<b>Adjustments to the Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements						
Pensions costs (transferred from the Pensions Reserve)	10,852	286	-	-	-	-
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(221)	(93)	-	-	-	-
Holiday pay (transferred to the Employee Statutory Adjustment Account)	400	12	-	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	1,025	9,078	-	-	-	-
<b>Total Adjustment to Revenue Resources</b>	<b>12,056</b>	<b>9,283</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(186)	(75)	-	261	-	-
Capital receipts transferred to the Capital Grants and Receipts Unapplied Account	(443)	-	-	-	443	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(8,860)	(944)	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	(4,679)	-	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(9,489)</b>	<b>(5,698)</b>	<b>-</b>	<b>261</b>	<b>443</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	(75)	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(75)</b>	<b>-</b>	<b>-</b>
<b>Total Adjustments</b>	<b>2,567</b>	<b>3,585</b>	<b>-</b>	<b>186</b>	<b>443</b>	<b>-</b>

## Note 13 Transfers to/from Revenue Statutory Funds and Earmarked portions of the General Fund

This note sets out the amounts set aside from the General Fund and HRA balances in Revenue Statutory Funds to provide financing for future expenditure plans and the amounts posted back from Revenue Statutory Funds to meet General Fund and HRA expenditure in 2018/19.

### Revenue Statutory Funds

	Repairs and Renewals Fund	Insurance Fund	Total
	£000	£000	£000
Balance at 1 April 2017	2,683	1,383	4,066
Transfers In 2017/18	8	4	12
Balance at 31 March 2018	2,691	1,387	4,078
Transfers In 2018/19	16	9	25
<b>Balance at 31 March 2019</b>	<b>2,707</b>	<b>1,396</b>	<b>4,103</b>

### Earmarked portions of the General Fund

Portions of the General Fund are earmarked for specific purposes as described below. Underspends or overspends against budget for these activities are transferred in or out of the earmarked funds at the year end.

	General Services	Devolved School Management	Early Years Childcare Expansion	Pupil Equity Funding	Transformation	Other Funds	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2017	21,710	804	-	-	-	269	22,783
Transfers Out 2017/18	(4,615)	(356)	-	-	-	(1)	(4,972)
Transfers In 2017/18	-	-	196	569	-	77	842
Balance at 31 March 2018	17,095	448	196	569	-	345	18,653
Transfers Out 2018/19	(5,257)	(438)	(146)	-	-	(5)	(5,846)
Transfers In 2018/19	438	-	-	14	700	71	1,223
<b>Balance at 31 March 2019</b>	<b>12,276</b>	<b>10</b>	<b>50</b>	<b>583</b>	<b>700</b>	<b>411</b>	<b>14,030</b>

### Devolved School Management (DSM)

This ring fenced balance is a consolidation of the balances held by schools that are retained for the specific purpose of investing in services delivered at each individual school. The DSM scheme enables a policy of retaining resources at each school rather than returning the balances to a corporate fund. This policy aims to encourage schools to plan financially over the medium term.

### Early Years Childcare Expansion

The purpose of this fund is to ring fence funding received from the Scottish Government for the expansion of Early Learning and Childcare from 600 hours to 1,140 hours.

### Pupil Equity Funding

The purpose of this fund is to ring fence funding received from the Scottish Government to provide targeted support for children and young people affected by poverty.

### Transformation

The purpose of this fund is to provide funding to initiate and advance the Transformation, Improvement and Modernisation Programme projects over a two year period.



## Note 13 Transfers to/from Revenue Statutory Funds and Earmarked portions of the General Fund (continued)

### Other Funds

These funds are grants and contributions unspent at the reporting year end which have restrictions on their use. The majority of these funds are insurance premium discounts set aside to fund claims beneath the Council's excess. Other funds held include unspent monies to be used to upgrade/maintain Sanquhar Loch in Forres and a welfare fund, set up in 2016/17, to record unspent monies received from the Scottish Government to be used to provide individuals with assistance for short term need and community care.

## Note 14 Other Operating Expenditure

	2017/18	2018/19
	£000	£000
Movement on revaluation of assets held-for-sale recognised in the provision of Services	19	-
Losses on disposal of non-current assets	8,075	2,432
	<b>8,094</b>	<b>2,432</b>

## Note 15 Financing and Investment Income and Expenditure

	2017/18	2018/19
	£000	£000
Interest payable and similar charges	12,623	13,810
Net interest on the net defined benefit liability	3,884	2,178
Interest receivable and similar income	(159)	(308)
Income and Expenditure in relation to investment properties	(8)	9
Movement on revaluation of Investment Property	136	-
	<b>16,476</b>	<b>15,689</b>

## Note 16 Taxation and Non-Specific Grant Income

	2017/18	2018/19
	£000	£000
Council tax income	39,130	41,076
Non domestic rates	33,406	40,603
Non-ring fenced Government grants	121,067	115,567
Capital grants and contributions	14,412	30,709
	<b>208,015</b>	<b>227,955</b>

## **Note 17 Property, Plant and Equipment**

Assets that have physical substance and are held for use in the supply of services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### **Recognition**

All expenditure on the acquisition, creation, enhancement or replacement of a part of an asset is capitalised providing the asset yields benefit for more than one year to the Council and the services it provides and the cost can be reliably measured. Where a component is replaced or restored, the carrying amount of the old component is derecognised and the new component reflected in the carrying amount.

### **Measurement**

Assets are initially measured at cost, comprising:

- The purchase price, and
- Any costs attributable to bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable useful life (i.e. land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated using the straight-line method. In the year of acquisition, a full year's depreciation is provided for on all assets except for vehicles, where the calculation is pro-rata based on the month of acquisition. In the year of disposal, no depreciation is charged. The following useful lives and depreciation rates have been used in the calculation of depreciation:-

Council Dwellings - up to 50 years

Other Land and Buildings - Buildings up to 65 years, land is not depreciated

Vehicles, Plant, Furniture and Equipment - 3 to 12 years

Infrastructure - up to 40 years

Community Assets - up to 40 years

Surplus Assets - Buildings up to 60 years, land is not depreciated

Where a material item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

## Note 17 Property, Plant and Equipment (continued)

### Comparative Movements in 2017/18:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or valuation</b>								
At 1 April 2017	262,666	338,360	44,784	271,322	856	4,362	10,423	932,773
Additions	6,765	32,861	3,841	8,241	-	-	9,115	60,823
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,701)	1,248	-	-	-	(202)	-	(655)
Revaluation increases/ (decreases) recognised in the Surplus on the Provision of Services	(3,008)	(2,070)	-	-	-	(200)	-	(5,278)
Derecognition – disposals	-	(4,079)	(846)	-	(160)	-	(3)	(5,088)
Derecognition – other Assets reclassified (to)/ from Held for Sale	-	(5,851) (3)	(2,873) -	- -	- -	- -	- -	(8,724) (3)
Other movements in cost or valuation	2,721	(12,148)	55	15,176	9	951	(6,789)	(25)
<b>At 31 March 2018</b>	<b>267,443</b>	<b>348,318</b>	<b>44,961</b>	<b>294,739</b>	<b>705</b>	<b>4,911</b>	<b>12,746</b>	<b>973,823</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2017	12,102	39,940	27,467	42,360	329	82	-	122,280
Depreciation charge	6,291	11,715	3,774	7,899	17	56	-	29,752
Depreciation written out to the Revaluation Reserve	-	(1,382)	-	-	-	(61)	-	(1,443)
Depreciation written out to the Surplus on the Provision of Services	-	(50)	-	-	-	(32)	-	(82)
Derecognition – disposals	-	(530)	(765)	-	(54)	-	-	(1,349)
Derecognition – other Assets reclassified (to)/ from Held for Sale	-	(1,110) -	(2,873) -	- -	- -	- -	- -	(3,983) -
Other movements in depreciation and impairment	-	(7,103)	-	7,039	5	59	-	-
<b>At 31 March 2018</b>	<b>18,393</b>	<b>41,480</b>	<b>27,603</b>	<b>57,298</b>	<b>297</b>	<b>104</b>	<b>-</b>	<b>145,175</b>

## Note 17 Property, Plant and Equipment (continued)

### Movement in 2018/19

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or valuation</b>								
At 1 April 2018	267,443	348,318	44,961	294,739	705	4,911	12,746	973,823
Additions	9,663	5,851	3,582	6,261	-	15	15,126	40,498
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,850)	13,496	-	-	-	(654)	-	10,992
(decreases) recognised in the Surplus on the Provision of Services	(5,451)	(3,594)	-	-	-	(491)	-	(9,536)
Derecognition – disposals	-	(2,436)	(1,033)	-	-	-	(6)	(3,475)
Derecognition – other	-	-	(686)	-	-	(475)	-	(1,161)
Assets reclassified (to)/ from Held for Sale	-	-	-	-	-	(45)	-	(45)
Other movements in cost or valuation	3,917	4,685	(193)	80	-	1,443	(7,602)	2,330
<b>At 31 March 2019</b>	<b>273,722</b>	<b>366,320</b>	<b>46,631</b>	<b>301,080</b>	<b>705</b>	<b>4,704</b>	<b>20,264</b>	<b>1,013,426</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2018	18,393	41,480	27,603	57,298	297	104	-	145,175
Depreciation charge	6,500	11,536	3,897	8,115	17	71	-	30,136
Depreciation written out to the Revaluation Reserve	-	(32,095)	-	-	-	(79)	-	(32,174)
Depreciation written out to the Surplus on the Provision of Services	-	(2,622)	-	-	-	(7)	-	(2,629)
Derecognition – disposals	-	(525)	(920)	-	-	-	-	(1,445)
Derecognition – other	-	-	(686)	-	-	-	-	(686)
Assets reclassified (to)/ from Held for Sale	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	87	(156)	-	-	69	-	-
<b>At 31 March 2019</b>	<b>24,893</b>	<b>17,861</b>	<b>29,738</b>	<b>65,413</b>	<b>314</b>	<b>158</b>	<b>-</b>	<b>138,377</b>
<b>Net Book Value</b>								
at 31 March 2018	249,050	306,838	17,358	237,441	408	4,807	12,746	828,648
at 31 March 2019	248,829	348,459	16,893	235,667	391	4,546	20,264	875,049

## Note 17 Property, Plant and Equipment (continued)

### Capital Commitments

At 31 March 2019, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years budgeted to cost £44.845m (£4.958m in 2017/18). The major contracts are:

	£000
HRA Council House New Build projects	1,651
Lossiemouth High School	31,650
Linkwood Primary School	11,544
	<b>44,845</b>

### Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current or fair value is revalued at least every five years. All valuations are carried out internally by the Council's Estates Manager in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

Assets are carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction - depreciated historical cost
- Council dwellings - current value, determined using the basis of existing use value for social housing (EUV-SH)
- School buildings - current value, but because of their specialised nature are measured at depreciated replacement cost (DRC) which is used as an estimate of current value
- Surplus assets - current value as estimated as highest and best use from an open market perspective (fair value)
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value) except for the Headquarters Campus buildings which are too large to be marketed as office accommodation and are measured at depreciated replacement cost as an estimate of current value.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	-	46,631	301,080	705	-	20,264	368,680
valued at current value as at:								
01 April 2018	3,961	268,480	-	-	-	1,282	-	273,723
01 April 2017	3,003	17,460	-	-	-	1,660	-	22,123
01 April 2016	1,170	37,755	-	-	-	1,309	-	40,234
01 April 2015	265,588	23,781	-	-	-	301	-	289,670
01 April 2014	-	18,844	-	-	-	152	-	18,996
Total cost or valuation	<b>273,722</b>	<b>366,320</b>	<b>46,631</b>	<b>301,080</b>	<b>705</b>	<b>4,704</b>	<b>20,264</b>	<b>1,013,426</b>

## Note 18 Heritage Assets

The Council holds and conserves heritage assets for future generations in support of the primary objective of increasing the knowledge, understanding and appreciation of the history of the area of Moray.

The Council's policy (including its Common Good and Trusts) for the acquisition, presentation, management and disposal of museum and art collections is contained in the Museum's Service "Acquisition and Disposal Policy" and for the Council's archives within the Local Heritage Service Collection Policy, both of which are available on the Council's website.

The movement in Heritage Assets during 2018/19 is as follows:

	Cultural	Modern	Museums	Total Heritage
	Statues	Collections	Assets	
	£000	£000	£000	£000
Valuation at 1 April 2017	-	102	903	1,005
Additions	102	-	-	102
Transfers/Reclassifications	24	-	-	24
Revaluations	-	-	17	17
<b>At 31 March 2018</b>	<b>126</b>	<b>102</b>	<b>920</b>	<b>1,148</b>
Valuation at 1 April 2018	126	102	920	1,148
Additions	-	-	-	-
Transfers/Reclassifications	-	-	-	-
Revaluations	-	-	-	-
<b>At 31 March 2019</b>	<b>126</b>	<b>102</b>	<b>920</b>	<b>1,148</b>

The amount included above for the museum's collections is based on insurance valuations.

The following table shows assets that may be regarded as Heritage Assets but which have not been included in the Balance Sheet as the Council considers that obtaining valuations would involve disproportionate cost and that reliable cost or valuation information cannot be obtained for these items. This is because of the diverse nature of assets held, the number of assets held and the lack of comparable market values. The Code therefore permits such assets to be excluded from the Balance Sheet.

Assets excluded from Heritage Assets	Estimated number of assets
	31 March 2019
Archive Material	circa 1,000,000
Monuments and Fountains	11
War Memorials	45

## Note 19 Investment Property

Investment Property is property held solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or the production of goods or is held for sale.

Investment Property is measured initially at cost and thereafter at fair value, being the price that would be received by selling such an asset in an orderly transaction between market participants at the measurement date. Investment Property is measured at highest and best use and the properties are not depreciated but are revalued annually according to market conditions at year end. Gains and losses on revaluation are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES). The same treatment applies to gains and losses on disposal.

Gains and losses on revaluation and disposal reflected in the CIES are not charges to the General Fund and are transferred to the Capital Adjustment Account and Capital Receipts Reserve and reported in the Movement in Reserves Statement.

## Note 19 Investment Property (continued)

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2017/18 £000	2018/19 £000
Rental income from investment property	8	4
<b>Net gain</b>	<b>8</b>	<b>4</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2017/18 £000	2018/19 £000
Balance at start of the year	3,233	3,097
Net gains/(losses) from fair value adjustments	(136)	-
Transfers to/(from) Property, Plant and Equipment	-	(2,330)
Disposals	-	(20)
<b>Balance at end of the year</b>	<b>3,097</b>	<b>747</b>

## Note 20 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and is accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets are purchased licences. All software is given a finite life based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the software suites used by the Council are:

<b>Expected Useful Life</b>	<b>Licences £000</b>
5 - 6 years	217

The carrying amount of licences is amortised on a straight line basis. The amortisation of £0.029m charged to revenue in 2018/19 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading (2017/18 £0.042m).

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme and has purchased allowances during 2018/19 of £0.053m (2017/18 £0.217m) which are required to be classified as intangible assets. The disposal of Carbon Reduction Allowances is recognised as the allowances are surrendered. The amounts surrendered in the year were £0.186m (2017/18 £0.201m).

## Note 20 Intangible Assets (continued)

The movement on Intangible Assets during the year is as follows:-

	2017/18 £000	2018/19 £000
Balance at start of year:		
Gross carrying amount	1,301	488
Accumulated amortisation	(989)	(160)
<b>Net carrying amount at start of year</b>	<b>312</b>	<b>328</b>
Purchases	259	53
Amortisation for the period	(42)	(29)
Disposals		
Gross carrying amount	(1,072)	(186)
Accumulated amortisation	871	-
<b>Net carrying amount at end of year</b>	<b>328</b>	<b>166</b>
Comprising:		
Gross carrying amounts	488	355
Accumulated amortisation	(160)	(189)
	<b>328</b>	<b>166</b>

## Note 21 Financial Instruments

### Financial Instruments – Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The financial liabilities held during the year are measured at amortised cost and comprised:

- Long term loans from the Public Works Loan Board (PWLb) and commercial lenders
- Short term loans from other local authorities
- Lease payables detailed in note 40
- Private Finance Initiative contracts detailed in note 41
- Trade payables for goods and services received

### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

The financial assets held during the year are accounted for under the following classification:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:
  - Cash in hand
  - Bank current and deposit accounts with Bank of Scotland, Standard Life Liquidity Fund, Federated Short Term Sterling Liquidity Fund, Blackrock Liquidity Fund and Insight Liquidity Fund
  - Trade receivables for goods and services provided

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.



## Note 21 Financial Instruments (continued)

### Financial Instruments – Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

	2017/18		2018/19	
	Long Term £000	Short Term £000	Long Term £000	Short Term £000
<b>Amortised Cost:</b>				
Borrowing	157,579	51,414	174,922	40,794
Creditors	59,205	38,905	58,366	44,258
<b>Total</b>	<b>216,784</b>	<b>90,319</b>	<b>233,288</b>	<b>85,052</b>

### Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement are made up as follows:

	2017/18			2018/19		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest Expense	12,243	-	12,243	13,638	-	13,638
Impairment losses	-	276	276	-	224	224
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>12,243</b>	<b>276</b>	<b>12,519</b>	<b>13,638</b>	<b>224</b>	<b>13,862</b>
Interest income	-	(159)	(159)	-	(308)	(308)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(159)</b>	<b>(159)</b>	<b>-</b>	<b>(308)</b>	<b>(308)</b>
<b>Net (gain)/loss for the year</b>	<b>12,243</b>	<b>117</b>	<b>12,360</b>	<b>13,638</b>	<b>(84)</b>	<b>13,554</b>

### Financial Instruments – Fair Value

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lender’s options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their option when the market rates have risen above the contractual loan rate.
- The fair value of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

## Note 21 Financial Instruments (continued)

Financial Assets	Fair Value Level	2017/18		2018/19	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£000	£000	£000	£000
Short term debtors	2	9,848	9,848	11,099	11,099
Long term debtors	2	683	683	633	633
<b>Total</b>		<b>10,531</b>	<b>10,531</b>	<b>11,732</b>	<b>11,732</b>

At 31 March 2019 the Council's financial assets show the carrying value equal to fair value, the same as the previous year. This is mainly due to a large proportion of the amount being short term financial assets (£11.099m) and the remaining balance being long term loans which have market rates of return.

Financial liabilities	Fair Value Level	2017/18		2018/19	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£000	£000	£000	£000
Financial Liabilities held at amortised cost:-					
Short term Creditors	2	38,905	38,905	44,258	44,258
Short Term Borrowing	2	51,414	51,414	40,794	40,794
Other Long Term liabilities	2	2,620	2,620	2,357	2,357
Long term borrowing	2	157,579	205,270	174,922	235,171
PPP and Finance Lease liabilities	2	56,585	92,287	56,009	90,343
<b>Total</b>		<b>307,103</b>	<b>390,496</b>	<b>318,340</b>	<b>412,923</b>

The fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans with the Public Works Loan Board (PWLb) which are not based on market terms. It also includes the Education Services Public Private Partnership 30 year finance lease for Elgin Academy and Keith Primary and the Design, Build, Finance and Maintain 25 year lease for Elgin High School.

### Fair Value Disclosure of PWLB Loans

The fair value of PWLB loans of £215.315m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

As the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, a supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £174.922m would be valued at £212.022m. However, if the Council sought to repay the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that would not be paid/giving a discount for the reduced interest income that would be avoided. This exit price for the PWLB loans including the penalty charge would be £242.946m.

## Note 22 Inventories

	Balance outstanding at 1 April	Purchases	Recognised as an expense in the year	Balance outstanding at 31 March
2017/18	£000	£000	£000	£000
Building Services	164	667	(643)	188
Fleet Services	197	2,978	(2,997)	178
Road Maintenance	209	551	(631)	129
Other	128	1,340	(1,333)	135
<b>Total</b>	<b>698</b>	<b>5,536</b>	<b>(5,604)</b>	<b>630</b>

	Balance outstanding at 1 April	Purchases	Recognised as an expense in the year	Balance outstanding at 31 March
2018/19	£000	£000	£000	£000
Building Services	188	713	(715)	186
Fleet Services	178	3,158	(3,145)	191
Road Maintenance	129	440	(399)	170
Other	135	1,390	(1,412)	113
<b>Total</b>	<b>630</b>	<b>5,701</b>	<b>(5,671)</b>	<b>660</b>

## Note 23 Short Term Debtors

	2017/18 Restated (note 3)	2018/19
	£000	£000
Trade Receivables	1,398	1,602
Prepayments	1,080	1,304
Other Receivable Amounts	7,370	8,082
	<b>9,848</b>	<b>10,988</b>

## Note 24 Assets Held-for-Sale

When it becomes probable that the carrying amount of an asset (land and buildings) will be recovered through a sale rather than through its continued use, it is reclassified as an Asset Held-for-Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Non-current assets held-for-sale are not depreciated.

Vehicles, Plant, Furniture and Equipment and assets that are to be abandoned or scrapped are not reclassified as Assets Held-for-Sale.

	Current Assets 2017/18 £000	Current Assets 2018/19 £000
<b>Balance at 1 April</b>	1,880	1,390
Assets classified as held-for-sale:		
Property, Plant and Equipment	3	45
Revaluation gains/(losses)	(19)	-
Assets declassified as held-for-sale:		
Property, Plant and Equipment	-	-
Assets sold	(474)	(439)
<b>Balance at 31 March</b>	<b>1,390</b>	<b>996</b>

## Note 25 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the balance sheet date and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

	2017/18	2018/19
	£000	£000
Cash Held by the Council	19	18
Bank Current/ Call Accounts	7,370	18,055
<b>Total</b>	<b>7,389</b>	<b>18,073</b>

## Note 26 Short Term Creditors

	2017/18 Restated (note 3)	2018/19
	£000	£000
Trade Payables	11,612	10,902
Other Payables	27,293	33,768
<b>Total</b>	<b>38,905</b>	<b>44,670</b>

## Note 27 Provisions

	Equal Pay	Leavers Backdated Pay Award	Total
	£000	£000	£000
Balance as at 1 April 2018	156	-	156
Settlements made/provision released in 2018/19	(7)	-	(7)
Increase in provision in 2018/19	-	23	23
<b>Balance as at 31 March 2019</b>	<b>149</b>	<b>23</b>	<b>172</b>

The Council has recognised a provision in respect of equal pay claims from employees. The remaining claims are being managed in accordance with the strategy agreed by the Corporate Management Team.

The Local Government Pay Award for 2018/19 was agreed in March 2019 and employees were paid the full amount for the year in that month. Employees who have left the Council are entitled to be paid this. A provision has been recognised for the number of employees who may ask for this to be paid.

The Council believes that the amounts provided represent the best estimate of the total liability.

## Note 28 Usable Reserves

The Council has several reserve funds within this category:

- The Insurance Fund covers the main classes of insurance and is earmarked to pay any uninsured losses on school buildings.
- The Repairs and Renewal Fund provides for the upkeep of specific assets held by the Council.
- The Capital Fund is used to meet the costs of capital investments in assets and for the repayment of the principal element of borrowings.
- Capital Grants Unapplied holds the grants and contributions received towards capital projects for which the Council has met the conditions what would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.
- The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.

The movements on the Usable Reserves are detailed in the Movement in Reserves Statement and in Notes 12 and 13. A summary of the Reserves is also shown on the Balance Sheet.

## Note 29 Unusable Reserves

2017/18		2018/19
£000		£000
186,326	Revaluation Reserve	222,054
347,767	Capital Adjustment Account	359,660
(6,957)	Financial Instruments Adjustment Account	(6,643)
(5,926)	Employee Statutory Adjustment Account	(6,338)
(90,725)	Pensions Reserve	(109,585)
<b>430,485</b>	<b>Total Reserves</b>	<b>459,148</b>

### Revaluation Reserve

The Revaluation Reserve contains gains made by the Council arising from increases in the value of its Property, Plant and Equipment, Heritage Assets and Intangible Assets. The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created.

2017/18		2018/19	
£000		£000	£000
193,994	Balance at 1 April		186,326
5,863	Upward revaluation of assets	58,319	
(5,058)	Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(15,153)	
805	Surplus or (deficit) on revaluation on non-current assets not posted to the Surplus on the provision of Services		43,166
(4,909)	Difference between fair value depreciation and historical cost depreciation	(6,397)	
(3,564)	Accumulated gains on assets sold or scrapped	(1,041)	
(8,473)	Amount written off to the Capital Adjustment Account		(7,438)
<b>186,326</b>	<b>Balance at 31 March</b>		<b>222,054</b>

## Note 29 Unusable Reserves (continued)

### Capital Adjustment Account

The Capital Adjustment Account absorbs the differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2017/18		2018/19	
£000		£000	£000
352,802	Balance at 1 April		347,767
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(29,752)	Charges for depreciation and impairment of non-current assets	(30,136)	
(5,215)	Revaluation losses on Property, Plant and Equipment	(6,908)	
(42)	Amortisation of Intangible Assets	(29)	
(9,155)	Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	(3,149)	
<u>(44,164)</u>			<u>(40,222)</u>
8,473	Adjusting amounts written out of the Revaluation Reserve		7,438
<u>(35,691)</u>	Net written out amount of the cost of non-current assets consumed in the year		<u>(32,784)</u>
	Capital financing applied in the year:		
2,049	Use of the Capital Receipts Reserve to finance new capital expenditure	75	
14,412	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	30,119	
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-	
9,407	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	9,804	
4,924	Capital expenditure charged against the General Fund and HRA balances	4,679	
<u>30,792</u>			<u>44,677</u>
(136)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-
<u>347,767</u>	<b>Balance 31 March</b>		<u>359,660</u>

## Note 29 Unusable Reserves (continued)

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on early redemption of loans. As a result, the balance on the Account at 31 March 2018 will be charged to the General Fund over the next 35 years.

2017/18 £000		2018/19 £000
(7,269)	Balance at 1 April	(6,957)
309	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	310
3	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	4
<u>(6,957)</u>	<b>Balance at 31 March</b>	<u>(6,643)</u>

### Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2017/18 £000		2018/19 £000
(5,388)	Balance at 1 April	(5,926)
5,388	Settlement or cancellation of accrual made at the end of the preceding year	5,926
<u>(5,926)</u>	Amounts accrued at the end of the current year	<u>(6,338)</u>
(538)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(412)
<u>(5,926)</u>	<b>Balance at 31 March</b>	<u>(6,338)</u>

## Note 29 Unusable Reserves (continued)

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve, therefore, shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
(162,150)	Balance at 1 April	(90,725)
85,046	Remeasurements (liabilities and assets)	(7,722)
(27,139)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(25,140)
13,518	Employer's pensions contributions and direct payments to pensioners payable in the year	14,002
<b>(90,725)</b>	<b>Balance at 31 March</b>	<b>(109,585)</b>

## Note 30 Capital Grants and Receipts Unapplied Account

The Capital Grants and Receipts Unapplied Accounts holds the grant and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and the financial year in which this can take place.

It also holds capital receipts to fund qualifying expenditure on service transformation and service redesign projects.

	<b>2017/18</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
<b>Capital Grants</b>		
Opening Balance	69	69
Additions	-	590
Applied	-	-
<b>Closing Balance</b>	<b>69</b>	<b>659</b>
<b>Capital Receipts for Transformation Projects</b>		
Opening Balance	-	-
Additions	-	443
Applied	-	(443)
<b>Closing Balance</b>	<b>-</b>	<b>-</b>
<b>Total opening balance at 1 April</b>	<b>69</b>	<b>69</b>
<b>Total closing balance at 31 March</b>	<b>69</b>	<b>659</b>



## Note 31 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2017/18 £000	2018/19 £000
Interest Received	(154)	(308)
Interest Paid	12,617	13,774

## Note 32 Cash Flow Statement - Investing Activities

	2017/18 £000	2018/19 £000
Purchase of property, plant and equipment, investments, property and intangible assets	31,847	41,247
Other payments for investing activities	210	315
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,080)	(261)
Other receipts from investing activities	(15,265)	(30,851)
<b>Net cash flows from investing activities</b>	<b>15,712</b>	<b>10,450</b>

## Note 33 Cash Flow Statement - Financing Activities

	2017/18 £000	2018/19 £000
Cash receipts of short-term and long-term borrowing	(84,500)	(68,650)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	986	1,440
Repayment of short and long-term borrowing	71,064	(261)
Other payments/(receipts) for financing activities	3,452	(30,851)
<b>Net cash flows from financing activities</b>	<b>(8,998)</b>	<b>(4,689)</b>

## Note 34 Reconciliation of Liabilities Arising from Financing Activities

	2018/19 1 April	Financing Cash Flows	Changes which are not Financing Cash Flows Acquisition	Other	2018/19 31 March
	£000	£000	£000	£000	£000
Long Term Borrowing	157,579	17,347	-	(4)	174,922
Short Term Borrowing	51,414	(10,660)	-	40	40,794
Lease Liabilities	431	(117)	-	-	314
On balance sheet PFI Liabilities	57,593	(1,323)	923	-	57,193
Other deferred liabilities	259	3	-	-	262
<b>Total Liabilities from Financing Activities</b>	<b>267,276</b>	<b>5,250</b>	<b>923</b>	<b>36</b>	<b>273,485</b>

## Note 35 External Audit Costs

The agreed external audit fee for 2018/19 was £0.235m for work undertaken in accordance with the Code of Audit Practice (2017/18 £0.231m).

## Note 36 Grant Income and Contributions

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19.

	2017/18 £000	2018/19 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	121,067	115,567
National Non Domestic Rate income	33,406	40,603
Capital Grant and Contributions	14,412	30,709
<b>Total</b>	<b>168,885</b>	<b>186,879</b>
<b>Credited to services</b>		
Housing Benefits	17,009	17,004
Private Sector Housing Grant	387	491
Other Grants	7,465	9,545
<b>Contributions</b>		
Integration Joint Board	51,291	52,152
Other Contribution	722	988
NHS Grampian	73	64
Donations	2	3
<b>Total</b>	<b>76,949</b>	<b>80,247</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver.

The balances at the year-end are as follows:

	2017/18 £000	2018/19 £000
<b>Grants received in Advance</b>		
Capital Grants	3,006	2,095
Other Grants	330	1,313
<b>Total</b>	<b>3,336</b>	<b>3,408</b>

## Note 37 Related Parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have potential to control or influence the Council, or to be controlled or influenced by the Council.

Central Government has effective control over the Council. It is responsible for providing the statutory framework within which the Council operates, and provides the majority of its funding. Government grants and contributions are included in note 36. The amounts outstanding at the year-end are included in creditors in note 26.

Members of the Council have direct control over the Council's financial and operating policies. During 2018/19 no works or services were commissioned from companies in which any member had a noted interest. Details of members' expenses are included in the Remuneration Report.

Transactions with other bodies are as follows:

	2017/18	2018/19	Debtors/(Creditors)	
	£000	£000	2017/18	2018/19
			£000	£000
<b>NHS Grampian</b>				
Funding Received	73	64	175	62
<b>Moray Integration Joint Board</b>				
Funding from MIJB	51,291	52,152	780	1,491
Contribution to MIJB	40,070	40,549		-
<b>European Union</b>				
Funding Received	-	99	-	-
<b>Grampian Valuation Joint Board</b>				
Contribution to GVJB	619	701	-	-

The Council provided material financial assistance to the following body:

	2017/18	2018/19
	£000	£000
Moray Leisure Limited	727	842

The Council participates in the following partnerships:

	2017/18	2018/19
	£000	£000
The Highlands and Islands Transport Partnership - contribution	47	47
Scotland Excel - contribution	71	71
SEEMIS Group LLP - contribution	68	79
Northern Community Justice Authority - receipt	27	-

## Note 38 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	<b>2017/18</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Opening Capital Financing Requirement	270,128	300,520
Capital Investment:		
Property, Plant and Equipment (incl. Held for Sale)	60,823	40,498
Intangible Assets	259	53
Heritage Assets	102	-
Sources of finance:		
Capital receipts	(2,049)	(75)
Government grants and other contributions	(14,412)	(30,119)
Sum set aside from revenue:		
Direct revenue contributions	(4,924)	(4,679)
Loans fund principal	(9,407)	(9,804)
Closing Capital Financing Requirement	<u>300,520</u>	<u>296,394</u>
	<b>2017/18</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Explanations of movements in year		
Increase/(decrease) in underlying need to borrowing (supported by government financial assistance)	4,197	(5,049)
Assets acquired under finance leases/PPP/DBFM	<u>26,195</u>	<u>923</u>
Increase/(Decrease) in Capital Financing Requirement	<u>30,392</u>	<u>(4,126)</u>

## Note 39 Capitalisation of Borrowing Costs

Borrowing costs of £0.143m have been capitalised during 2018/19, using a capitalisation rate of 4.19%.

## Note 40 Leases

Leases are classified as finance leases where the terms of the lease transfer the majority of the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

### Council as Lessee

#### Finance Leases

Assets held under finance leases are recognised on the Balance Sheet at the commencement of the lease at their fair value measured at the lease's inception. The asset recognised has a corresponding liability to pay the lessor.

The council leases office equipment under finance leases, accounted for as part of Property, Plant and Equipment. The net carrying amount of these assets at 31 March is as follows:-

	2017/18 £000	2018/19 £000
Machinery, Plant, Vehicles and Equipment	352	235

Outstanding obligations under finance leases at 31 March 2018 :

	Minimum Lease Payments £000	less Future Interest Charges £000	Present Value of Minimum Lease Payments £000
Not later than one year	135	(18)	117
Later than one year and not later than five years	338	(24)	314
<b>Total</b>	<b>473</b>	<b>(42)</b>	<b>431</b>

Outstanding obligations under finance leases at 31 March 2019 :

	Minimum Lease Payments £000	less Future Interest Charges £000	Present Value of Minimum Lease Payments £000
Not later than one year	135	(13)	122
Later than one year and not later than five years	203	(11)	192
<b>Total</b>	<b>338</b>	<b>(24)</b>	<b>314</b>

#### Operating Leases

Rental paid under operation leases are charged to the appropriate service account in the Comprehensive Income and Expenditure Statement (CIES) as an expense of the services benefitting from use of the leased asset on a straight line basis over the term of the lease.

The Council rents land and buildings under the terms of operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:-

	2017/18 £000	2018/19 £000
Not later than one year	109	108
Later than one year and not later than five years	258	177
Later than five years	1,300	1,270
	<b>1,667</b>	<b>1,555</b>

The future minimum sublease payments expected to be received by the Council are £0.090m (2017/18 £0.118m).

The expenditure charged to the CIES during the year in relation to minimum lease payments was £0.108m (2017/18 £0.147m).

## Note 40 Leases (continued)

### Council as Lessor

#### Operating Leases

Where the Council grants an operating lease the asset is retained on the Balance Sheet. The Council leases out various properties, predominately industrial units.

The future minimum lease payments receivable under non-cancellable leases in future years are:-

	2017/18	2018/19
	£000	£000
Not later than one year	1,005	949
Later than one year and not later than five years	2,924	2,977
Later than five years	29,179	31,213
	<b>33,108</b>	<b>35,140</b>

## Note 41 Public Private Partnership and Similar Contracts

Public Private Partnership (PPP) and similar contracts are agreements to receive services, where responsibility for making available the property, plant and equipment needed to provide those services passes to the contractor. As the Council is deemed to control the services that are provided under its scheme and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on cost to purchase property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the contractor each year are analysed into five elements:

- fair value of services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost - an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is currently 8.39% for the Elgin Academy/Keith Primary School PPP scheme and 5.67% for the Elgin High School Design, Build, Finance and Maintain (DBFM) contract.
- contingent Rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards Liability - applied to write down the Balance Sheet liability towards the operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle Replacement Costs - debited to the relevant service in the Comprehensive Income and Expenditure Statement or recognised as additions to Property, Plant and Equipment when the relevant capital works are carried out

#### Educational Services PPP Scheme

In 2011/12, the Council entered into a 30 year PPP contract for the construction, maintenance and operation of two schools in Keith and Elgin. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition. The annual unitary charge in 2018/19 was £4.961m (2017/18 £4.870m).

#### Educational Services DBFM Contract

In 2017/18, the Council entered into a 25 year DBFM contract for the construction, maintenance and operation of a new school in Elgin. The contractor took on the obligation to construct the school and maintain it in a minimum acceptable condition. The Annual Service Charge in 2018/19 was £2.490m (2017/18 £1.057m)

## Note 41 Public Private Partnership and Similar Contracts (continued)

### Property, Plant and Equipment

	2017/18 £000	2018/19 £000
<b>Cost or valuation</b>		
At 1 April	42,875	71,300
Additions	26,195	935
Transfers from assets under construction	1,100	-
Revaluations	1,130	(2,897)
<b>At 31 March</b>	<b>71,300</b>	<b>69,338</b>
<b>Accumulated Depreciation</b>		
At 1 April	8,132	11,221
Revaluations	-	(11,221)
Depreciation charge	3,089	2,656
<b>At 31 March</b>	<b>11,221</b>	<b>2,656</b>
<b>Net Book Value</b>	<b>60,079</b>	<b>66,682</b>

### Payments

Under the contracts the Council makes agreed payments each year which are increased by inflation. They can be reduced if the contractors fail to meet availability and performance standards in any year but are otherwise fixed. Payments remaining to be made under the contract at 31 March 2019 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2019/20	1,184	1,376	4,084	6,644
Payable within 2 to 5 years	4,734	5,809	15,333	25,876
Payable within 6 to 10 years	5,919	8,010	16,873	30,802
Payable within 11 to 15 years	5,919	11,096	13,640	30,655
Payable within 16 to 20 years	5,919	16,366	8,938	31,223
Payable within 21 to 25 years	3,674	14,536	2,290	20,500
<b>Total</b>	<b>27,349</b>	<b>57,193</b>	<b>61,158</b>	<b>145,700</b>

Although the payments made to the contractors are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractors for capital expenditure incurred is as follows:

	2017/18 £000	2018/19 £000
Balance outstanding at start of year	32,249	57,592
Payments during the year	(852)	(1,322)
Capital expenditure incurred in the year	26,195	923
<b>Balance outstanding at year-end</b>	<b>57,592</b>	<b>57,193</b>

## **Note 42 Pension Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by the Council are members of the Scottish Teachers' Superannuation Scheme administered by the Scottish Government through the Scottish Public Pension Agency (SPPA). It is a defined benefit scheme providing teachers with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the scheme at a level to meet the cost of pensions as they accrue. It is not possible, however, for the Council to identify a share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of the annual accounts it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension during the year ending 31 March 2018, the Council's own contributions equate to approximately 1.43%.

In 2018/19 the amount payable to the Scottish Government in respect of teachers' retirement benefits was £5.880m of which £0.750m was outstanding at 31 March 2019. The amount payable represents 14.9% of pensionable pay. In 2017/18 the amounts payable were £5.860m of which £0.767m was outstanding at 31 March 2018.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' Scheme.

## **Note 43 Defined Benefit Pension Schemes**

### **Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two schemes:

- The North East Scotland Local Government Pension Scheme which is administered by Aberdeen City Council. This is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets over a period of time.
- There are also arrangements in place for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.

Principal risks to the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute.



## Note 43 Defined Benefit Pension Schemes (continued)

### Transactions Relating to Post-employment Benefits

In relation to the Local Government Pension Scheme, the Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	<b>Local Government Pension Scheme</b>		<b>Discretionary Benefits</b>	
	<b>2017/18</b>	<b>2018/19</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services:</b>				
Current Service Cost	22,992	21,761	-	-
Past Service Cost	-	-	-	-
Curtailment Cost	5	941	-	-
Administration Expenses	258	260	-	-
	<b>23,255</b>	<b>22,962</b>	<b>-</b>	<b>-</b>
<b>Financing and Investment Income and Expenditure</b>				
Net Interest Expense	3,455	1,770	429	408
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>26,710</b>	<b>24,732</b>	<b>429</b>	<b>408</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets	(27,142)	(29,024)	-	-
Actuarial gains/(losses) arising from changes in financial assumptions	(43,062)	36,167	(379)	579
Actuarial gains/(losses) arising from demographic changes	3,889	-	4	-
Other	(17,878)	-	(479)	-
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(57,483)</b>	<b>31,875</b>	<b>(425)</b>	<b>987</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post post employment benefits in accordance with the Code	(26,710)	(24,732)	(429)	(408)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to scheme	12,523	12,996		
Retirement benefits payable to pensioners			995	1,006

## Note 43 Defined Benefit Pension Schemes (continued)

### Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit scheme is as follows:

	Local Government Pension Scheme		Discretionary Benefits	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
Present value of the defined benefit obligation	(603,051)	(665,992)	(16,204)	(16,185)
Fair value of plan assets	528,530	572,592	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(74,521)</b>	<b>(93,400)</b>	<b>(16,204)</b>	<b>(16,185)</b>

### Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme		Discretionary Benefits	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	630,686	603,051	17,624	16,204
Current service cost	22,992	21,761	-	-
Interest cost	15,650	15,532	429	408
Contributions from scheme participants	3,903	3,871	-	-
Remeasurement gains and (losses):				
Actuarial gains/(losses) arising from changes in financial assumptions	(43,062)	36,167	(379)	579
Actuarial gains/ (losses) arising from demographic changes	3,889	-	4	-
Other	(17,877)	-	(479)	-
Past Service cost	-	-	-	-
Gains on curtailment	5	941	-	-
Benefits paid	(13,135)	(15,331)	(995)	(1,006)
<b>Closing balance at 31 March</b>	<b>603,051</b>	<b>665,992</b>	<b>16,204</b>	<b>16,185</b>

### Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme		Discretionary Benefits	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
<b>Opening fair value of scheme assets</b>	486,160	528,530	-	-
Interest Income	12,195	13,762	-	-
Remeasurement gains:				
The return on plan asset, excluding the amount in the net interest expense	27,142	29,024	-	-
Contributions from employer	12,523	12,996	995	1,006
Contributions from employees into the scheme	3,903	3,871	-	-
Benefits paid	(13,135)	(15,331)	(995)	(1,006)
Other - administration expenses	(258)	(260)	-	-
<b>Closing fair value of scheme assets</b>	<b>528,530</b>	<b>572,592</b>	<b>-</b>	<b>-</b>

## Note 43 Defined Benefit Pension Schemes (continued)

### Local Government Pension Scheme assets comprised:

Fair value of scheme assets

	Quoted Prices in Active Markets £000	Prices not Quoted in Active Markets £000	Total £000
31 March 2018			
U.K Equities	162,151	-	162,151
Overseas Equities	172,724	-	172,724
U.K Government Bonds	32,240	-	32,240
Other Government Bonds	7,928	-	7,928
Other U.K Bonds	370	-	370
Other non U.K Bonds	6,554	-	6,554
Property	-	38,424	38,424
Private Equity	-	60,570	60,570
Global Infrastructure	13,002	20,296	33,298
Cash Instruments	-	14,271	14,271
Total Assets	<b>394,969</b>	<b>133,561</b>	<b>528,530</b>

	Quoted Prices in Active Markets £000	Prices not Quoted in Active Markets £000	Total £000
31 March 2019			
U.K Equities	164,389	-	164,389
Overseas Equities	181,855	-	181,855
U.K Government Bonds	35,215	-	35,215
Other Government Bonds	8,532	-	8,532
Other U.K Bonds	401	-	401
Other non U.K Bonds	7,043	-	7,043
Property	-	41,685	41,685
Private Equity	41,914	55,942	97,856
Global Infrastructure	-	13,628	13,628
Cash Instruments	-	21,988	21,988
Total Assets	<b>439,349</b>	<b>133,243</b>	<b>572,592</b>

## Note 43 Defined Benefit Pension Schemes (continued)

### Basis for Estimating Assets and Liabilities

Liabilities are valued on an actuarial basis using the projected unit method and assets are measured at their fair value. An estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rates, salary levels, etc.

The most recent actuarial valuation was carried out as at 31 March 2018 and has been updated by Mercer Limited, independent actuaries to the North East Scotland Pension Fund, to take account of the requirements of IAS 19 in order to assess the liabilities of the Pension Funds as at 31 March 2019.

The significant assumptions used by the actuary have been:	Local Government		Unfunded Liabilities	
	Pension Scheme		Discretionary Benefits	
	2017/18	2018/19	2017/18	2018/19
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.7	22.9	22.7	22.9
Women	24.9	25.0	24.9	25.0
Longevity at 65 for future pensioners:				
Men	25.6	25.8	-	-
Women	27.9	28.1	-	-
Rate of inflation	2.10%	2.20%	2.10%	2.30%
Rate of increase in salaries	3.60%	3.70%	-	-
Rate of increase in pensions	2.20%	2.30%	2.30%	2.40%
Rate for discounting scheme liabilities	2.60%	2.40%	2.60%	2.40%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, and assume for each change that the assumption analysed changes while all the other assumptions remain constant.

Impact on the Defined Benefit Obligation in the scheme	Increase in Assumption	Decrease in Assumption
	£000	£000
Longevity (increase or decrease in 1 year)	13,178	(13,178)
Rate of inflation (increase or decrease by 0.1%)	12,845	(12,845)
Rate of increase in salaries (increase or decrease by 0.1%)	2,130	(2,130)
Rate of increase in pensions (increase or decrease by 0.1%)	12,928	(12,928)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(12,609)	12,609

## **Note 43 Defined Benefit Pension Schemes (continued)**

### **Funding Strategy Statement**

The Funding Strategy Statement sets out how the administering authority balances the potentially conflicting aims of affordability of contributions, transparency of process, stability of employers' contributions and prudence in the funding basis.

The Pensions Committee's long-term funding objective is to achieve and maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis. The current actuarial valuation of the Fund is effective as at 31 March 2017 and the results indicate that overall the assets represented 107% of projected accrued liabilities at the valuation date compared to a funding level of 94% as at 31 March 2014. The improved funding position is mainly due to high levels of investment returns over the two years prior to the valuation date.

Investments that would most closely match the pension liabilities would be gilts, predominately index-linked, reflecting the nature of the Fund's liabilities. The Fund, however, invests in other assets in the expectation that these will provide higher returns albeit without any guarantee that higher returns will be achieved over any particular period. The benefit of higher investment return is that, over the long term, a higher level of funding should achieve lower employer contribution rates. However the additional investment returns from growth assets come with a price: greater volatility relative to the liabilities thus introducing risk. There is a trade-off between the benefits of additional investment return from greater exposure to growth assets and the greater predictability from having greater exposure to liability matching assets.

The asset proportions of the Fund at 31 March 2019, with March 2018 in brackets were: equities, including alternatives 79.94% (81.12%), bonds 8.94% (8.91%), property 7.28% (7.27%) and cash 3.84% (2.7%). Given the current positive funding position of the Fund, a new investment strategy has been approved by the Pensions Committee from 1 April 2018 to reduce reliance on the volatile global equities market and increase allocation to both bonds and other protection and income asset classes.

### **Impact on the Council's Cash Flows**

While the Fund's main objective is to ensure solvency of the NESPF they also aim to keep employers' contributions at as constant a rate as possible. Following the 2017 valuation the Pensions Committee has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over an average surplus spread period of 24 years and have maintained an employer contribution rate requirement of 19.3% for local authorities across the scheme. During the valuation process employer rates are set for a period of three years with the next triennial valuation due as at 31 March 2020 to determine a funding level and set the rates for 2021/22 onwards.

The projected employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2019 is £12.526m. Expected contributions for the Discretionary Benefits in the year to 31 March 2019 are £1.006m.

The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2019 valuation is 19 years.

## **Note 44 Contingent Liabilities**

### **Bilbohall South Land**

On 30 March 2016 the Council decided to remove the Western Link Road from the capital plan. Due to the cancellation of this project the Council will be unable to comply with the terms of the purchase agreement with Grampian Housing Association (GHA) to buy land at Bilbohall South in Elgin. As a result the Council may have to re-purchase this site. This presents a potential financial risk to the Housing Revenue Account (HRA).

Both the Council and GHA agreed to alter the missives to extend the buy-back period until 31 March 2020. In agreeing to the extension to the buy-back period both parties sought consent of the Scottish Government, which has assumed administrative responsibility for the grant given to GHA to purchase the site.

A masterplan for development of a wider area at Bilbohall has been finalised. A planning application will be submitted shortly for development of the site which would reduce this risk to the HRA. All parties are working to resolve the issue to allow the building of affordable houses to proceed.

## Note 44 Contingent Liabilities (continued)

### Guaranteed Minimum Pension (GMP)

This relates to pension schemes which were 'contracted out' of additional state pension arrangements. The UK Government has stated "defined benefit pensions schemes that were Contracted-out Salary Related (COSR) schemes before contracting out ended on 6 April 2016 need to provide a Guaranteed Minimum Pension (GMP) to members for contracted out service between 6 April 1978 and 5 April 1997. The GMP is payable at age 60 for a woman and at age 65 for a man."

The Government launched a consultation on this issue and, based on the responses received, implemented an interim solution whilst a long term approach is finalised.

There is potential for a financial cost to the Council as a result of this issue but, until a long term solution can be determined by the UK Government, the extent of such a cost cannot be determined.

### Pensions Transition Arrangements Age Discrimination

In December 2015, the UK Government introduced reforms to public sector pensions. In December 2018, the Court of Appeal ruled that some of the transitional arrangements put in place as a result of these reforms were discriminatory. The Government intends to appeal this ruling but, if unsuccessful, will have to provide compensation to workers affected.

It is not currently known how long the appeals process will take or what the outcome will be. There is potential for a financial impact on schemes which have implemented transitional arrangements for benefits changes, but the potential liability, if any, to the Council cannot be calculated with any certainty.

### European Structural Funds

The Scottish Government has written to Local Authorities regarding European Structural Fund (ESF) payments. Concerns have been raised regarding the way the scheme is administered in Scotland. Until these concerns have been sufficiently addressed no claims, either already submitted or due to be submitted, will be paid.

It is not clear at this stage what the ultimate outcome will be for lead partners, but there is the possibility of adverse financial impact for Local Authorities.

## Note 45 Nature and Extent of Risks Arising From Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk - the possibility that other parties might fail to pay amounts due to the Council.
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The procedures for risk management are set out through a legal framework based on the Local Government (Scotland) Act 2003 and associated regulations, which were both revised in December 2017. These require the Council to comply with CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management and Investment Regulations. The Council's management of treasury risks are structured to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services by:

- formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- the adoption of a Treasury Management Strategy Statement and incorporating this into the Council's Financial Regulations;
- approving annually in advance the Council's prudential and treasury indicators and reporting on performance;
- approving an Investment Strategy for the forthcoming year.

### Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks, building societies and Money Market Funds whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

The credit criteria in respect of financial assets held by the Council at 31 March 2019 are detailed below.

Financial asset category	Criteria
Banks	Long-Term BBB+
Building Societies	Long-Term BBB+
Money Market Funds	Long-Term AAmmf (Fitch) or equivalent

## Note 45 Nature and Extent of Risks Arising from Financial Instruments (continued)

The maximum investment with the Council's own bankers (Bank of Scotland) is £10m and other organisations meeting the above criteria is £5m.

In addition to the above, the Council can also invest in Local Authorities and the Debt Management Office. A limit of £5m is set for any Local Authority and there is no limit for the Debt Management Office as it is part of HM Treasury which has the UK Government's AA+ rating.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year. The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

	Estimated maximum exposure to default and uncollectability £000	Amounts at 31 March £000	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2019 %	Estimated maximum exposure to default and uncollectability 2019 £000
Customers	839	2,991	33.62	33.62	1,006
<b>Total</b>	<b>839</b>	<b>2,991</b>			<b>1,006</b>

### Debtors

The Council does not generally allow credit for customers. As a result, £2.724m of the £2.764m balance is past its due date for payment (2016/17 £2.572m). The past due, but not impaired amount can be analysed by age as follows:

	2017/18 £000	2018/19 £000
Less than six months	1,487	1,605
Six months to one year	264	377
More than one year	973	1,015
<b>Total</b>	<b>2,724</b>	<b>2,997</b>

The impairments made, analysed by age are as follows:

	2017/18 £000	2018/19 £000
Less than six months	-	-
Six months to one year	132	189
More than one year	973	1,015
<b>Total</b>	<b>1,105</b>	<b>1,204</b>

### Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loan Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

Although the Council has 20.64% of its current debt maturing within the period 2051/52 to 2055/56, it is continually reviewing its borrowing position to minimise the financial impact of debt maturing at any one time in the future and possibly exposing the Council to unfavourable interest rates. With the assistance of its treasury advisers, the Council manages this risk through prudent planning of new loans taken out where economic to do so.

## Note 45 Nature and Extent of Risks Arising from Financial Instruments (continued)

### Liquidity Risk (continued)

The maturity structure of financial liabilities is as follows (at nominal value):

	2017/18 £000	Average Rate	2018/19 £000	Average Rate
Repayment less than 1 year	51,128	3.09%	5,791	2.80%
Repayment between 1 and 2 years	3,879	3.09%	8,237	2.80%
Repayment between 2 and 5 years	16,495	3.09%	20,770	2.80%
Repayment between 5 and 10 years	15,526	3.97%	21,047	3.52%
Repayment between 10 and 15 years	12,049	7.18%	16,482	6.09%
Repayment in more than 15 years	109,126	5.54%	107,326	5.90%
	<b>208,203</b>		<b>179,653</b>	

The above figures are the contractual maturity amounts of the loans.

All creditors are due to be paid in less than one year.

### Market Risk

#### Interest Rate Risk

The Council is exposed to interest rate risk in two different ways: the first being the uncertainty of interest paid/received on variable rate instruments and the second being the effect of fluctuations in interest rates of the fair value of an instrument.

The current interest rate risk for the Council is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost but will impact on the disclosure note for fair value.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance sheet for the majority of liabilities held at amortised cost but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk:

- It is the policy of the Council to limit its exposure to variable rate borrowing to a maximum of 25% of total borrowing.
- During periods of falling rates and where it is economically advantageous, the Council will consider the repayment or restructuring of fixed interest rate loans.
- The Council monitors interest rates daily to assist in decisions for lending of surplus cash and new borrowings.

The Council has a strategy for assessing interest rate exposure. The analysis will advise whether new borrowing taken out is fixed or variable. During 2018/19 the Council did take out several variable rate temporary borrowing loans.

According to this assessment strategy, at 31 March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2017/18 £000	2018/19 £000
Increase in interest payable on variable rate borrowing	125	92
<b>Impact on Comprehensive Income and Expenditure Account</b>	<b>125</b>	<b>92</b>



## Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost for the year ended 31 March 2019 of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
	<b>Income</b>	
(17,762)	Dwelling Rents	(18,638)
(178)	Non Dwelling Rents	(192)
(609)	Other Income	(527)
<b>(18,549)</b>	<b>Total Income</b>	<b>(19,357)</b>
	<b>Expenditure</b>	
4,301	Supervision & Management	4,312
6,715	Repairs & Maintenance	6,846
112	Bad & Doubtful Debts	114
6,472	Depreciation and Impairment of Non-Current Assets	6,680
3,034	Revaluation losses on Non-Current Assets	5,452
38	HRA Share of Corporate and Democratic Core costs	40
507	Other Expenditure	456
<b>21,179</b>	<b>Total Expenditure</b>	<b>23,900</b>
<b>2,630</b>	<b>Net Cost of HRA Services</b>	<b>4,543</b>
(6)	(Gain)/loss on sale of HRA Non-Current Assets	4
2,592	Interest Payable and Similar Charges	2,791
(171)	Interest and Investment Income	(50)
100	Net interest on the net defined benefit liability	53
(3,609)	Capital grants and contributions receivable	(3,133)
<b>1,536</b>	<b>(Surplus)/Deficit for the Year on HRA Services</b>	<b>4,208</b>

## Movement on the Housing Revenue Account Statement

2017/18 £000		2018/19 £000
1,536	<b>(Surplus)/Deficit for the Year on the HRA Income and Expenditure Account</b>	4,208
	<b>Adjustments between accounting basis and funding basis under regulations</b>	
91	Difference between interest payable and similar charges determined in accordance with the Code and those determined in accordance with statute	93
6	Net gain or loss on sale of HRA non-current assets	(4)
4,800	Capital expenditure funded by the Housing Revenue Account	4,679
	Transfers to/from the Capital Adjustment Account:	
(6,472)	Depreciation and Impairment of Non-Current Assets	(6,680)
(3,034)	Revaluation losses on Property, Plant and Equipment	(5,452)
142	Movement on revaluation of Investment Property	-
853	Loans fund principal repayments	944
3,609	Capital Grants applied	3,133
<u>1,531</u>	<b>Net decrease before transfers to reserves</b>	<u>921</u>
	<b>Transfers to/(from) reserves</b>	
11	IORB and Statutory Funds	16
(1,100)	Transfers from the General Fund as directed by the Minister	(679)
(385)	HRA share of contributions (from) the Pensions Reserve	(286)
(12)	Employee Statutory Adjustment Account	(12)
<u>(1,486)</u>		<u>(961)</u>
45	<b>(Increase)/decrease in the year on the HRA</b>	(40)
(1,177)	<b>Housing Revenue Account Balance Brought Forward</b>	(1,132)
<u>(1,132)</u>	<b>Housing Revenue Account Balance Carried Forward</b>	<u>(1,172)</u>

## Notes to the Housing Revenue Account

### 1. Number and Type of Dwelling House

The Council dwelling house stock as at 31 March was as follows:-

		2017/18	2018/19
		Number of dwellings	Number of dwellings
Bedsit	Houses and bungalows	20	20
	Flats and Maisonettes	24	24
1 bedroom	Houses and bungalows	1,079	1,079
	Flats and Maisonettes	623	659
2 bedroom	Houses and bungalows	2,162	2,176
	Flats and Maisonettes	688	687
3 bedroom	Houses and bungalows	1,210	1,219
	Flats and Maisonettes	98	99
4 or more bedroomed	Houses and bungalows	138	148
	<b>Total</b>	<b>6,042</b>	<b>6,111</b>

### 2. Rent Arrears

The total rent arrears, including rents outstanding from former tenants, as at 31 March 2019 was £0.430m which is 2.31% of gross rental income. This is equivalent to £70.42 per house (2017/18 £0.369m, 2.08%, £61.06).

### 3. Bad Debt Provision

The provision for uncollectable debts has decreased by £0.027m (decrease in 2017/18 £0.013m). The total provision for uncollectable debts including rechargeable repairs is £0.229m (2017/18 £0.256m).

### 4. Voids

The loss of rental on void properties for the year was £0.166m (2017/18 £0.117m).

## Council Tax Income Account

The Council Tax Income Account (Scotland) shows the gross income raised from Council taxes levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement.

On 1 April 1993, the Council Tax replaced the Community Charge. It is a property based tax which relates to the capital value of domestic properties at 1st April 1991, as determined by the Assessor, with each property being placed in a Valuation Band, between A and H. The Assessor publishes a Valuation List which contains information on each property and the band to which it has been assigned. All properties in the Valuation List are liable for Council Tax, but some may be exempt from payment or may attract a discount depending on whether they are unoccupied, the number of persons in occupation and/or the status of the person(s) resident.

2017/18 £000			2018/19 £000
51,009	<b>Council Tax Levied and Contributions in Lieu</b>		53,238
(3,739)	Deduct:	Local Council Tax Reduction Scheme	(3,741)
(7,594)		Other discounts and reductions	(7,944)
39,676	<b>Total for Year</b>		41,553
(49)		Council Tax adjustment in respect of prior years	28
(497)		Allowance for impairment of uncollectable debts	(505)
39,130	<b>Transfers to General Fund</b>		41,076

### Council Tax Levy

In order to encourage empty home owners to bring their properties back into use to increase the supply of housing in Scotland, the Scottish Government introduced the Local Government Finance (Unoccupied Properties etc.) (Scotland) Act 2012. This legislation allowed Councils to remove the discount for Council Tax on certain types of unoccupied homes and to increase the level of Council Tax payable on these properties.

The new powers came into effect on 1 April 2013 and Moray Council decided to use these new powers to introduce an additional levy on properties which have been unoccupied for more than twelve months. This additional levy was set at 50% from 1 April 2014 rising to 100% from 1 April 2015. During 2018/19 Moray Council collected £0.3m (£0.3m in 2017/18) from the implementation of this new policy. This amount is included in the figures above.

### Council Tax Banding

A change to Council Tax legislation made by Scottish Government on 1 April 2017 resulted in an increase in the amount of Council Tax levied on properties in Bands E to H in relation to Band D. The calculation of the Council Tax charge for Bands A to D was unaffected by this change in legislation.

## Council Tax Income Account (continued)

### Calculation of Council Tax Base Number of Dwellings

	Number of Dwellings	Number of Exemptions/Reliefs	Discounts		Total Equivalent Dwellings	Ratio to Band D	Band D Equivalent
			25%	Other			
Band A	11,983	726	1,524	210	9,523	6/9	6,346
Band B	10,534	514	1,005	212	8,803	7/9	6,847
Band C	6,877	414	522	117	5,824	8/9	5,177
Band D	6,442	506	396	123	5,417	9/9	5,417
Band E	6,039	226	293	100	5,420	473/360	7,121
Band F	2,191	53	76	50	2,012	585/360	3,270
Band G	665	28	20	20	597	705/360	1,169
Band H	107	54	1	5	47	882/360	115
	44,838	2,521	3,837	837	37,643		35,462
Add: Contributions in Lieu							949
Less: Provision for non-collection							546
<b>Council Tax Base 2018/19</b>							<b>35,865</b>

### Calculation of Council Tax

In 2018/19, the charges for each band were as follows:

Band	Property Value £	Number of Properties	Council Tax Charge £
A	Up to 27,000	9,523	802.75
B	27,000 - 35,000	8,803	936.54
C	35,001 - 45,000	5,824	1,070.33
D	45,001 - 58,000	5,417	1,204.12
E	58,001 - 80,000	5,420	1,582.08
F	80,001 - 106,000	2,012	1,956.70
G	106,001 - 212,000	597	2,358.07
H	Above 212,000	47	2,950.09

## Non-Domestic Rate Income Account

The Non-Domestic Rate Account (Scotland) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

The occupiers of non-domestic properties are liable to pay rates which are assessed on their property's rateable value. Each property is assigned a rateable value by the Assessor, which is published in the Valuation Roll. The non-domestic rates poundage, which is used to calculate the amount of rates payable, is set by Scottish Government Ministers.

In 2018/19 the rate poundage was 48.0p (46.6p in 2017/18). Properties with a rateable value of more than £0.051m attract a Large Business Supplement of 2.6p (2.6p in 2017/18).

Properties with a rateable value of up to £0.018m qualified for a reduction on a sliding scale of between 25% and 100% of their rates bill under the Small Business Bonus Scheme.

The rates collected from non-domestic ratepayers during the year are shown below. Any difference between the rates collected and the amount the Council is guaranteed to receive under the National Pooling arrangements is adjusted via the Revenue Support Grant paid by the Scottish Government to the Council.

The Scottish Government introduced the Business Rates Incentivisation Scheme (BRIS) from April 2012 to encourage Local Authorities to maximise their existing business rates income and encourage new business start-up. The Scottish Government set a target for each Local Authority and the Local Authority retains 50% of any additional income above the target.

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>		<b>£000</b>
52,936	<b>Gross Rates Levied</b>	56,390
	Deduct:	
(8,543)	Reliefs and other deductions	(9,245)
<u>44,393</u>	<b>Net Non-Domestic Rate Income</b>	<u>47,145</u>
(712)	Adjustments to previous years' National Non Domestic Rates	(374)
<u>43,681</u>		<u>46,771</u>
-	Business Rates Incentivisation Scheme (BRIS) retention	(452)
<u>(10,275)</u>	Contribution (to)/from National Pooling	<u>(6,168)</u>
<u><b>33,406</b></u>	<b>Guaranteed Rate Income</b>	<u><b>40,151</b></u>
-	<b>BRIS retention</b>	452
<u><b>33,406</b></u>	<b>Amount credited to the Comprehensive Income and Expenditure Account</b>	<u><b>40,603</b></u>

## Non-Domestic Rate Income Account (continued)

### Analysis of Rateable Values and Numbers of Entries at 1 April 2018

	Number of Entries	2018/19 Rateable Value £000
Shops	927	19,291
Public Houses	58	1,066
Offices (including Banks)	486	6,148
Hotels, Boarding Houses, etc.	104	2,890
Industrial & Freight Transport Subjects	1,244	43,215
Leisure, Entertainment Caravans and Holiday Sites	575	3,515
Garages and Petrol Stations	124	1,393
Cultural	21	280
Sporting Subjects	596	805
Education & Training	80	7,539
Public Service Subjects	281	13,989
Communications (Non-Formula)	14	2,012
Quarries, Mines etc.	33	407
Petrochemical	5	723
Religious	159	1,190
Health Medical	54	2,408
Other	425	672
Care Facilities	55	1,996
Advertising	17	32
Undertaking	18	1,748
	<hr/> 5,276	<hr/> 111,319

A revaluation of the rateable values of all non-domestic properties was implemented on 1st April 2017.

## **Trust Funds**

The Council administers 58 trust funds, acting as sole trustee for 54 trusts and as one of several trustees for a further 4 funds. These accounts do not represent a charge to Council Tax payers but form part of the statutory reporting requirements of the Council. They represent funds set up by various individuals and organisations for the benefit of the community or organisations within the Moray area.

The statements below summarise the trust funds' income and expenditure for the year and the funds' assets and liabilities at 31 March 2019.

## **Trust Reorganisation**

The Council is currently undertaking a review of its trusts, in consultation with the Office of the Scottish Charities Regulator (OSCR), to identify options for restructuring its existing charitable and non-charitable trusts in order to create a smaller number of trusts with improved governance arrangements and with the opportunity to maximise the use of these resources to the benefit of the citizens of Moray. In August 2016, The Moray Council Charitable Trust was awarded charitable status under the Charities and Trustee Investment (Scotland) Act 2005.

During the year one registered charitable trust was approved by OSCR to be reorganised into the new trust; Captain Fleetwood Thorne. Its assets have been transferred into The Moray Council Charitable Trust.

## **Accounting Policies**

### **Basis of Preparation**

The financial statements for the charitable trusts have been prepared in accordance with the Accounting and Reporting by Charities: Statement of Recommended Practice 2015, applicable to charities preparing their accounts, in accordance with the Financial Reporting Standard 102 (FRS 102), applicable for the UK and Republic of Ireland, commonly referred to as the Charities SORP which is effective for accounting periods beginning on or after 1 January 2015. The financial statements have been prepared under the historical cost convention as modified by the inclusion of investments at fair value, in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

In line with Regulation 7 of the 2006 Regulations, these financial statements have been prepared on the basis that the trust funds for which it acts as sole trustee are connected charities. As such the accounts for these individual charities have been prepared on a collective basis for the Council. Separate financial statements covering all the Council's charitable trusts are published on the Council's website.

The financial statements for the non-charitable trusts have been prepared in accordance with the code of practice on Local Authority Accounting in the United Kingdom 2018/19.

As far as concerns the trusts reported in these financial statements, application of different reporting standards does not produce inconsistent results.

### **Investment Income**

Investment income is accounted for in the period in which the charity is entitled to receipt and the amount can be measured with reasonable certainty.

### **Resources expended**

Expenditure is included in the financial statements on an accruals basis.

### **Investments**

Investments are included at fair value at the balance sheet date in accordance with the principles of the SORP. Investment gains and losses include any gain or loss on the sale of investments and any gain or loss resulting from revaluing investments to fair value at the end of the period.



## Trust Funds Income and Expenditure Account

2017/18		2018/19	
Connected Charitable £000	Other £000	Connected Charitable £000	Other £000
<b>Income</b>			
(22)	(89)	(23)	(91)
-	(39)	-	(77)
-	(606)	-	(147)
5	19	(8)	(30)
-	(20)	(5)	(30)
<b>(17)</b>	<b>(735)</b>	<b>(36)</b>	<b>(375)</b>
<b>Expenditure</b>			
13	64	19	60
7	10	6	9
-	62	10	123
-	9	-	-
-	104	-	107
<b>20</b>	<b>249</b>	<b>35</b>	<b>299</b>
<b>3</b>	<b>(486)</b>	<b>-</b>	<b>(77)</b>
<b>(5)</b>	<b>474</b>	<b>8</b>	<b>70</b>
<b>(2)</b>	<b>(12)</b>	<b>8</b>	<b>(7)</b>

## Trust Funds Balance Sheet

31-Mar-18		31-Mar-19	
Connected Charitable £000	Other £000	Connected Charitable £000	Other £000
-	4,516	-	4,556
-	74	-	74
516	2,133	518	2,143
<b>516</b>	<b>6,723</b>	<b>518</b>	<b>6,773</b>
1	6	1	4
431	1,521	423	1,551
<b>432</b>	<b>1,527</b>	<b>424</b>	<b>1,555</b>
(10)	(11)	(5)	(11)
<b>(10)</b>	<b>(11)</b>	<b>(5)</b>	<b>(11)</b>
<b>938</b>	<b>8,239</b>	<b>937</b>	<b>8,317</b>
-	65	-	65
-	4,501	-	4,541
265	1,098	273	1,129
673	2,575	665	2,582
<b>938</b>	<b>8,239</b>	<b>938</b>	<b>8,316</b>

## Notes to the Trust Fund Accounts

### Note 1 Property, Plant and Equipment

Property, plant and equipment is valued on the basis recommended by CIPFA and the valuation report is produced by the Council's Estates Manager who is a Member of the Royal Institute of Chartered Surveyors. The assets are valued on a 5 year rolling programme and have been prepared in accordance with the provisions of the Royal Institution of Chartered Surveyors Valuation - Professional Standards January 2014.

Property, plant and equipment is classified into groupings required by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Assets have been valued on the following basis:-

- |                          |  |
|--------------------------|--|
| Other Land and Buildings | - Existing Use Value (EUV) or Depreciated Replacement Cost (DRC) |
| Community Assets         | - Historic Cost where available                                  |

Depreciation:

The following useful lives and depreciation rates have been used in the calculation of depreciation:-

- |                          |   |
|--------------------------|---|
| Other Land and Buildings | - Buildings up to 55 years, land is not depreciated |
| Community Assets         | - Rights and land are not depreciated               |

Movements of property, plant and equipment were as follows:

#### 2017/18

	Other Land and Buildings	Community Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2017	4,207	24	4,231
Revaluations	513	-	513
Disposals	-	(9)	(9)
<b>Gross Book Value at 31 March 2018</b>	<b>4,720</b>	<b>15</b>	<b>4,735</b>
Accumulated Depreciation at 1 April 2017	208	-	208
Revaluations	(93)	-	(93)
Charge for the Year	104	-	104
<b>Depreciation at 31 March 2018</b>	<b>219</b>	<b>-</b>	<b>219</b>
<b>Net Book Value at 31 March 2018</b>	<b>4,501</b>	<b>15</b>	<b>4,516</b>
<b>Net Book Value at 31 March 2017</b>	<b>3,999</b>	<b>24</b>	<b>4,023</b>

#### 2018/19

	Other Land and Buildings	Community Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2018	4,720	15	4,735
Revaluations	129	-	129
Disposals	-	-	-
<b>Gross Book Value at 31 March 2019</b>	<b>4,849</b>	<b>15</b>	<b>4,864</b>
Accumulated Depreciation at 1 April 2018	219	-	219
Revaluations	(18)	-	(18)
Charge for the Year	107	-	107
<b>Depreciation at 31 March 2019</b>	<b>308</b>	<b>-</b>	<b>308</b>
<b>Net Book Value at 31 March 2019</b>	<b>4,541</b>	<b>15</b>	<b>4,556</b>
<b>Net Book Value at 31 March 2018</b>	<b>4,501</b>	<b>15</b>	<b>4,516</b>

## Note 2 Heritage Assets

The following table shows assets which may be regarded as Heritage assets, but which have not been included in the Balance Sheet as the Council considers that obtaining valuations would involve disproportionate cost and that reliable cost or valuation information cannot be obtained for these items. The Code therefore permits such assets to be excluded from the Balance Sheet.

<b>Assets excluded from Heritage Assets</b>	<b>Estimated number of assets 31 March 2019</b>
Monuments and Fountains	2

## Note 3 Investment Properties

The following table summarises the movement in the fair value of investment properties over the year.

	<b>2017/18 £000</b>	<b>2018/19 £000</b>
Balance at start of the year	74	74
Net gains/(losses) from fair value adjustments	-	-
<b>Balance at end of the year</b>	<b>74</b>	<b>74</b>

## Note 4 Long Term Investments

Long Term Investments are a mixed portfolio of Unit Trusts.

## Note 5 Trust Details

### Funds for which The Moray Council act as Sole Trustee

<b>Fund</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Assets £000</b>	<b>Liabilities £000</b>
<b>Registered Charitable Trusts</b>				
28 Registered Charitable Trusts, each with Assets less than £50,000	(3)	8	175	(2)
Cumine of Auchray <i>Established to provide for decayed merchants of the Burgh of Elgin</i>	(2)	-	131	-
Moray and Nairn Educational <i>Grants payable to persons resident in the former combined County of Moray and Nairn, including University and Central Institution Bursaries; Adult Education; School Equipment; Sports facilities; Travel Grants and School Excursions</i>	(30)	27	637	(3)
	<b>(35)</b>	<b>35</b>	<b>943</b>	<b>(5)</b>
<b>Other Trusts</b>				
5 Non Registered Trusts, each with Assets less than £50,000	(3)	2	122	-
Longmore Hall <i>Village Hall for the use of the community</i>	-	28	916	-
Glenisla Comforts Fund <i>For the benefit of the residents of Glenisla Care Home</i>	(6)	2	143	-

## Note 5 Trust Details (continued)

<u>Fund</u>	<u>Income</u> <u>£000</u>	<u>Expenditure</u> <u>£000</u>	<u>Assets</u> <u>£000</u>	<u>Liabilities</u> <u>£000</u>
<b>Other Trusts (continued)</b>				
Speyside Comforts Fund <i>For the benefit of the residents of Speyside Nursing Home</i>	(3)	1	63	-
The Pringle Trust <i>Established to make payments annually to Ministers, serving and emeriti of the Church of Scotland, Baptist and Free Church of Scotland</i>	(2)	1	102	-
William Lawtie <i>For the Poor of Cullen</i>	(2)	-	190	-
The MacDonald Benevolent Fund <i>Established in 1989 for persons in need of financial assistance particularly in Dufftown as decided by the Social Work Department</i>	(6)	4	277	-
Milne's Institution Trust <i>The free annual income to be applied as The Moray Council thinks fit for the purposes of the educational enrichment of pupils attending Milne's High School and Milne's Primary School. The income shall be apportioned to the schools on a pro rata basis by reference to attendance rolls of the respective schools</i>	(14)	12	277	-
Laing Mortification <i>For the benefit of a decayed merchant resident in Elgin.</i>	(4)	-	297	-
Craigmoray Bequest (Bishopmill) <i>For the benefit of the residents of Craigmoray Care Home</i>	(15)	4	412	-
Ladyhill Public Trust <i>Provides homes for two veterans from the Elgin area</i>	-	6	119	-
Jubilee Cottages Public Trust <i>Trust established by monies raised during Queen Victoria's Diamond Jubilee for the purposes of providing low cost housing</i>	(1)	11	616	-
Cooper Park Public Trust <i>Trust established at turn of last century to provide Elgin library and reading rooms and parkland for recreation – all for the inhabitants of Elgin</i>	(42)	50	398	-
River Lossie Public Trust <i>Established mid 1800's to provide ground for recreation for the people of Elgin</i>	(42)	63	884	-

## Note 5 Trust Details (continued)

<u>Fund</u>	<u>Income £000</u>	<u>Expenditure £000</u>	<u>Assets £000</u>	<u>Liabilities £000</u>
<b>Other Trusts (continued)</b>				
Grant Park Public Trust <i>Trust incorporating the public convenience, tea room/shop and the cricket and bowling pavilions, to be used for the benefit of the community of Forres</i>	(149)	23	888	-
Milntonduff Hall <i>Established to provide space for local groups for education, recreation etc</i>	-	8	379	-
Logie Cottage <i>Established to provide a free home or house of rest to a respectable retired couple or single woman in Forres</i>	-	-	90	-
Fife Park, Keith Public Trust <i>Trust incorporating the playing field, pavilion and public convenience</i>	-	3	56	-
Portknockie Bowling Club Public Trust <i>Tennis and Bowling Club located in Portknockie</i>	-	4	190	-
	<u>(289)</u>	<u>222</u>	<u>6,418</u>	<u>-</u>
<b>Funds for which The Moray Council acts as one of several trustees</b>				
<b>Registered Charitable Trusts</b>				
Auchernack Trust <i>For the benefit of the elderly community of the Forres Area who are in need of relief by reason of advanced age</i>	(33)	32	751	-
	<u>(33)</u>	<u>32</u>	<u>751</u>	<u>-</u>
<b>Other Trusts</b>				
Donald Manson (Edinkillie) Fund <i>Three bursaries for children living in the Parish of Edinkillie in S1 as well as one Further Education Bursary for a student aged under 18. The annual balance of the fund is payable to Forres Academy</i>	(17)	15	346	(9)
Donald Manson (Forres) Fund <i>One bursary for a child living in the Burgh of Forres in S1. The annual balance of the fund is payable to Forres Academy</i>	(4)	3	97	(2)
Banffshire Educational Trust <i>Grants payable to persons resident in the former County of Banffshire, including University, Post Graduate, Apprentices and Trainees; School Equipment; Sports Facilities; Support of Clubs; Promoting Education in Drama, Music and Visual Arts; Travel Grants and School Excursions.</i>	(33)	27	714	-
	<u>(54)</u>	<u>45</u>	<u>1,157</u>	<u>(11)</u>

<u>Fund</u>	<u>Income</u> <u>£000</u>	<u>Expenditure</u> <u>£000</u>	<u>Assets</u> <u>£000</u>	<u>Liabilities</u> <u>£000</u>
<b>Summary</b>				
Connected Charitable Trusts	(35)	35	943	(5)
Other Trusts	(376)	299	8,327	(11)
<b>Total</b>	<b>(411)</b>	<b>334</b>	<b>9,270</b>	<b>(16)</b>

## Common Good Funds

The Council administers the Common Good Funds which consist of bequests made to the former Town Councils for the good of the residents. These funds were transferred to Moray District Council in 1975 and then to The Moray Council in 1996 as the successor Council under the reorganisation of Local Government.

These funds do not represent a charge to Council Tax payers but form part of the statutory reporting requirements of the Council. They represent funds set up for the benefit of the community or organisations within the Moray area.

The Accounts for Common Good have been prepared according to the LAASAC Guidance *Accounting for Common Good (December 2007)* which is consistent with proper accounting required by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

## Accounting Policies

Accounting Policies adopted for the Common Good are the same as those adopted for the Moray Council with the exception of the application of IAS 16 and IAS 40. IAS 16 requires that assets be depreciated and that the charge for depreciation be set against any surplus in the Income and Expenditure Account. IAS 40 requires any movement in the fair value of investment properties to be recognised in the surplus or deficit in the Income and Expenditure Account.

## Common Good Funds Income and Expenditure Account

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000</b>		<b>£000</b>
	<b>Income</b>	
(2)	Property	(2)
(90)	Investment Income	(96)
(23)	Other Income	-
-	Net Movement in Fair Value of Investment Property	(189)
(13)	Gain on Disposal of Asset	(30)
<b>(128)</b>	<b>Total Income</b>	<b>(317)</b>
	<b>Expenditure</b>	
4	Property Costs	3
7	Administrative Costs	5
91	Donations, Grants etc	56
-	Other Costs	2
447	Depreciation	460
526	Net Movement in Fair Value of Investment Property	-
<b>1,075</b>	<b>Total Expenditure</b>	<b>526</b>
<b>947</b>	<b>(Surplus)/Deficit for the Year</b>	<b>209</b>
(984)	(Surplus) on revaluation of Non-current Assets	(508)
<b>(37)</b>	<b>Total Comprehensive Net (Income)/Expenditure</b>	<b>(299)</b>

## Common Good Funds Balance Sheet

31 March 2018			31 March 2019
£000			£000
12,910	Property, Plant & Equipment	<b>Note 1</b>	12,953
204	Heritage Assets	<b>Note 2</b>	204
3,917	Investment Property	<b>Note 3</b>	4,106
<b>17,031</b>	<b>Long Term Assets</b>		<b>17,263</b>
1	Inventories		1
-	Debtors		6
3,394	Loans Fund Balance		3,457
<b>3,395</b>	<b>Current Assets</b>		<b>3,464</b>
(5)	Creditors		(7)
<b>(5)</b>	<b>Current Liabilities</b>		<b>(7)</b>
<b>20,421</b>	<b>Net Assets</b>		<b>20,720</b>
13,104	Revaluation Reserve		13,147
7,317	Revenue Reserve		7,573
<b>20,421</b>	<b>Total Reserves</b>		<b>20,720</b>

## Summary of Funds

Total Funds		Invested In	Total Funds
£000		Loans Fund	£000
3,645	Buckie	1,522	3,588
684	Cullen	30	705
15	Dufftown	14	14
9,412	Elgin	1,486	9,157
6,186	Forres	351	6,218
51	Portknockie	52	52
125	Keith	2	202
303	Lossiemouth	-	296
-	Findochty	-	488
<b>20,421</b>	<b>TOTAL</b>	<b>3,457</b>	<b>20,720</b>

## Notes to the Common Good Accounts

### Note 1 Property, Plant and Equipment

Property, plant and equipment is valued on the basis recommended by CIPFA and the valuation report is produced by the Council's Estates Manager who is a Member of the Royal Institute of Chartered Surveyors. The assets are valued on a 5 year rolling programme and have been prepared in accordance with the provisions of the Royal Institution of Chartered Surveyors Valuation - Professional Standards January 2014.

Property, plant and equipment is classified into groupings required by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Assets have been valued on the following basis:-

Other Land and Buildings	-	Existing Use Value (EUV) or Depreciated Replacement Cost (DRC)
Community Assets	-	Historic Cost where available
Surplus Assets	-	Market value

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:-

Other Land and Buildings - Buildings up to 60 years, land is not depreciated

Surplus Assets - land is not depreciated

Movements of Property Plant and Equipment were as follows:

#### 2017/18

	Other Land & Buildings	Surplus Assets	Assets Held For Sale	Total
	£000	£000	£000	£000
Gross Book Value at 1 April 2017	12,314	1,265	-	13,579
Revaluations	1,190	(390)	-	800
<b>Gross Book Value at 31 March 2018</b>	<b>13,504</b>	<b>875</b>	<b>-</b>	<b>14,379</b>
Accumulated Depreciation at 1 April 2017	1,196	10	-	1,206
Revaluations	(174)	(10)	-	(184)
Charge for the Year	445	2	-	447
<b>Depreciation at 31 March 2018</b>	<b>1,467</b>	<b>2</b>	<b>-</b>	<b>1,469</b>
<b>Net Book Value at 31 March 2018</b>	<b>12,037</b>	<b>873</b>	<b>-</b>	<b>12,910</b>
<b>Net Book Value at 31 March 2017</b>	<b>11,118</b>	<b>1,255</b>	<b>-</b>	<b>12,373</b>



## Note 1 Property, Plant and Equipment (continued)

2018/19

	Other Land & Buildings	Surplus Assets	Assets Held For Sale	Total
	£000	£000	£000	£000
Gross Book Value at 1 April 2018	13,504	875	-	14,379
Revaluations	626	(120)	-	506
Reclassifications	-	(5)	5	-
Disposals	-	-	(5)	(5)
<b>Gross Book Value at 31 March 2019</b>	<b>14,130</b>	<b>750</b>	<b>-</b>	<b>14,880</b>
Accumulated Depreciation at 1 April 2018	1,467	2	-	1,469
Revaluations	-	(2)	-	(2)
Charge for the Year	460	-	-	460
<b>Depreciation at 31 March 2019</b>	<b>1,927</b>	<b>-</b>	<b>-</b>	<b>1,927</b>
<b>Net Book Value at 31 March 2019</b>	<b>12,203</b>	<b>750</b>	<b>-</b>	<b>12,953</b>
<b>Net Book Value at 31 March 2018</b>	<b>12,037</b>	<b>873</b>	<b>-</b>	<b>12,910</b>

Revaluations (2016/17 and 2017/18) include assets previously held on the General Services Account now identified as Common Good.

## Note 2 Heritage Assets

This note details the movement in Heritage Assets during the years 2017/18 and 2018/19.

	Fine Art	Chains of Office	Total Heritage Assets
	£000	£000	£000
Valuation at 1 April 2017	125	79	204
Revaluations	-	-	-
<b>At 31 March 2018</b>	<b>125</b>	<b>79</b>	<b>204</b>
Valuation at 1 April 2018	125	79	204
Revaluations	-	-	-
<b>At 31 March 2019</b>	<b>125</b>	<b>79</b>	<b>204</b>

The Chains of Office were independently valued during 2012/13 and 2013/14 by William Windwick, PJDip FGA FNAG MIRV, a member of the Institute of Registered Valuers.

The following table shows assets that may be regarded as Heritage Assets, but which have not been included in the Balance Sheet as the Council considers that obtaining valuations would involve disproportionate cost and that reliable cost or valuation information cannot be obtained for these items. The Code therefore permits such assets to be excluded from the Balance Sheet.

## Note 2 Heritage Assets (continued)

Assets excluded from Heritage Assets	Estimated number of assets 31 March 2019
Monuments and Fountains	1
Nelson Tower	1

## Note 3 Investment Property

The following items of income and expense have been accounted for in Investment Income in the Income and Expenditure Account:-

	2017/18 £000	2018/19 £000
Rental income from investment property	39	43
<b>Net gain</b>	<b>39</b>	<b>43</b>

There are some restrictions from the original benefactors on the Common Good's ability to realise the value inherent in its investment property. The Common Good has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2017/18 £000	2018/19 £000
Balance at start of the year	4,443	3,917
Net gains /(loss) from fair value adjustments	(526)	189
<b>Balance at end of the year</b>	<b>3,917</b>	<b>4,106</b>

## **Glossary of Terms**

### **Capital Expenditure**

This is expenditure incurred in creating, acquiring or improving assets. The expenditure is normally financed by borrowing over a period of years, or utilising the income from the sale of existing assets.

### **CIPFA**

Chartered Institute of Public Finance and Accountancy

### **Current value**

For operational land and buildings, current value is the amount that would be paid for the asset in its existing use.

### **Economic Cost**

The total cost of performing an activity or following a decision or course of action.

### **Fair Value**

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### **IFRS**

International Financial Reporting Standard

### **LASAAC**

Local Authority (Scotland) Accounts Advisory Committee

### **Public Works Loan Board (PWLb)**

A Government Agency which provides loans to the Council.

### **Revenue Expenditure**

This is expenditure incurred in providing services in the current year and which benefits that year only.

### **SeRCOP**

Service Reporting Code of Practice

### **The Code**

The Code of Practice on Local Authority Accounting in the United Kingdom

## **Sources of Additional Information**

The Annual Accounts is one of several documents published by Moray Council and CIPFA giving financial information on the services provided in the Moray Area. Other annual publications are: -

- The Capital and Revenue Budget, published on the Council's website giving detailed expenditure plans for the following financial year.
- Council Tax Information Leaflets (forming Part 2 of the Council Tax Demand Notice) issued by the Council giving a summary of expenditure plans for the following year.
- Rating Review published by the Scottish Branch of CIPFA giving comparative statistics for all Scottish Local Authorities on local authority expenditure and service provision.